

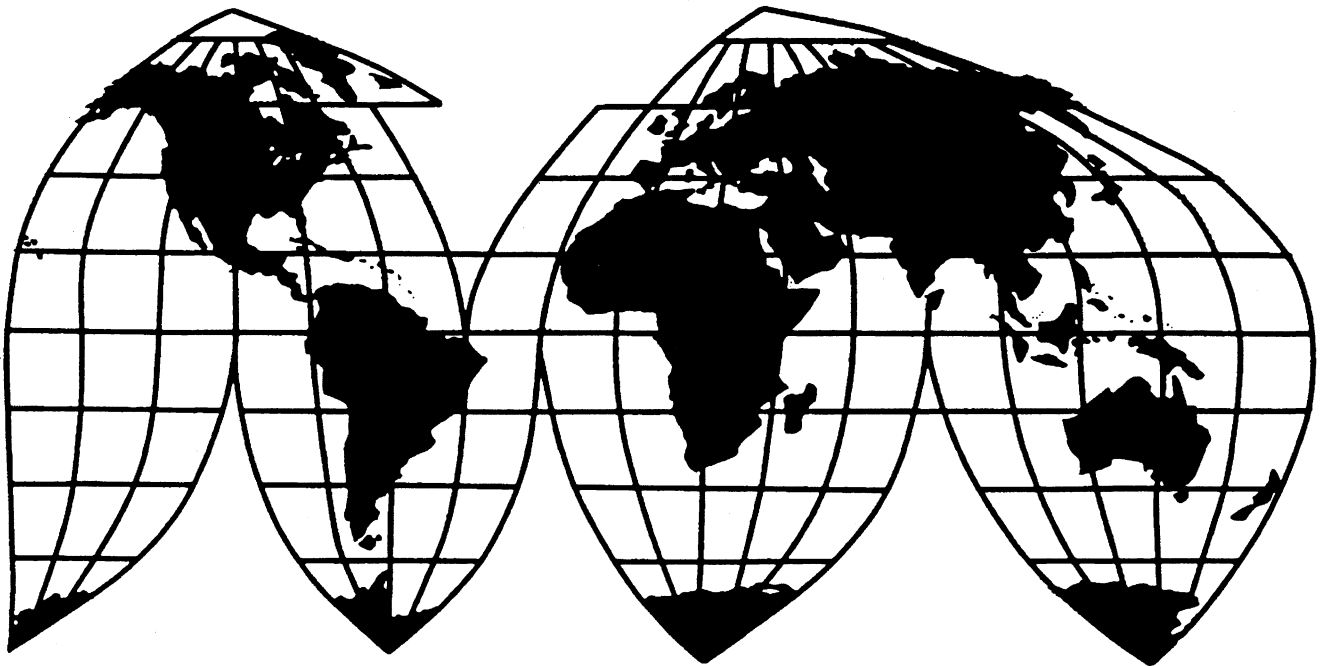
Desktop Note Counters and Scanners From China, Korea, and the United Kingdom

Investigations Nos. 731-TA-885-887 (Preliminary)

Publication 3348

September 2000

U.S. International Trade Commission



Washington, DC 20436

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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.

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GLOSSARY OF ABBREVIATIONS (In alphabetical order)

<u>Abbreviation</u>	<u>Name/agency/phrase</u>
AMS	Advanced Monetary Systems
ATM	Automated teller machine
Billcon	Billcon Corp. of America
Brandt	Brandt Co.
C.i.f.	Cost, insurance, and freight
C-A	Cummins-Allison Corp.
Checktech	CheckTech Enterprises, Inc.
COGS	Cost of goods sold
Commerce	U.S. Department of Commerce
Commission/ USITC	U.S. International Trade Commission
Customs	U.S. Customs Service
De La Rue	De La Rue, PLC and De La Rue, Inc.
DI	De La Rue, Inc.
Dongbo	No. 2 Radio Factory of Guzhen
Donghee	Donghee Industrial Co., Ltd.
EOP	End-of-period
F.o.b.	Free on board
FR	<i>Federal Register</i>
G&D	Gisika and Deveron
Glory	Glory, Ltd.
Hedman	Hedman Co.
HTS	Harmonized Tariff Schedule of the United States
JCM	JCM American Corp.
LTFV	Less than fair value
Magner	Magner Corp.
Plus Banking	Plus Banking Machines Co., Ltd.
R&D	Research and development
Scan Coin	Scan Coin, Inc.
SG&A	Selling, general, and administrative
Shinsung	Shinsung Electronics Co., Ltd.
Toyocom	Toyocom Hong Kong Ltd.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-885-887 (Preliminary)

DESKTOP NOTE COUNTERS AND SCANNERS FROM CHINA, KOREA, AND THE UNITED KINGDOM

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission determines,² pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from China, Korea, and the United Kingdom of desktop note counters and scanners, provided for in subheading 8472.90.95 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

BACKGROUND

On July 17, 2000, a petition was filed with the Commission and the Department of Commerce by Cummins-Allison, Mt. Prospect, IL, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of desktop note counters and scanners from China, Korea, and the United Kingdom. Accordingly, effective July 17, 2000, the Commission instituted antidumping duty investigations Nos. 731-TA-885-887 (Preliminary).

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 July 25, 2000 (65 FR 49224). The conference was held in Washington, DC, on August 7, 2000, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

² Commissioner Bragg dissenting.

IEWS OF THE COMMISSION

Based on the record in these investigations, we find that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of desktop note counters and scanners from China, Korea, and the United Kingdom that are allegedly sold in the United States at less than fair value (“LTFV”).^{1 2 3}

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 determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.⁴ 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.”⁵ For the reasons stated below, we find that the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury to the domestic industry, and no likelihood exists that contrary evidence will arise in a final investigation.

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

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.”⁶ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Act”), defines the relevant domestic industry as the “producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁷ In turn, the Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation”⁸

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

¹ Commissioner Lynn M. Bragg dissenting. Commissioner Bragg joins section I, II (with the exception of related parties), and III.

² Commissioner Thelma J. Askey concurs with the Commission’s determination but writes separately to explain her views. She joins sections I, II A-C, and III.

³ There is no issue in these investigations regarding whether there is a reasonable indication that a domestic industry is materially retarded by reason of subject imports.

⁴ 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-1004 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354 (1996).

⁵ American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

⁶ 19 U.S.C. § 1677(4)(A).

⁷ 19 U.S.C. § 1677(4)(A).

⁸ 19 U.S.C. § 1677(10).

characteristics and uses” on a case-by-case basis.⁹ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹⁰ The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹¹ Although the Commission must accept the determination of the Department of Commerce (“Commerce”) as to the scope of the imported merchandise allegedly subsidized or sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.¹²

B. Product Description

In its notice of institution, Commerce defined the scope of these investigations as follows:

The products covered by these investigations are commonly referred to as desktop note counters (“counters”) and desktop note scanners (“scanners”), whether assembled, partially assembled or unassembled, with or without operation-enabling software loaded. Counters and scanners are document handling machines that employ an electro-mechanical processing mechanism to accurately count currency bills, bank notes, coupons, script, or other value-based paper documents and to stack them in an organized fashion. The processing mechanism typically encompasses a feeder assembly from which documents are separated and introduced into the machine, a paper path through which the documents are fed, a transport mechanism, a sensing device located along the paper path that counts the documents, and a stacking location (or locations) that accepts the documents after counting and/or arranging them. Counters and scanners also have an integrated keypad, or keyboard, and a display panel. Both counters and scanners can incorporate a sensor device for detecting suspect (i.e., counterfeit) documents. Scanners have additional sensors, or scanning devices, that enable the machines to distinguish documents by denomination. Scanners and counters may consist of one or more stacker assemblies to

⁹ See, e.g., NEC Corp. v. Department of Commerce, Slip Op. 98-164 at 8 (CIT, Dec. 15, 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749, n.3 (CIT 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455, n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (CIT 1996).

¹⁰ See, e.g., S. Rep. No. 96-249, at 90-91 (1979).

¹¹ Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49. See also S. Rep. No. 96-249, at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

¹² Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

accommodate bill sorting. The counters and scanners subject to these investigations are portable; they typically weigh less than 100 pounds and may be easily moved by hand from one location to another.

Specifically excluded from the scope of these investigations are counters and scanners that are too large to be considered portable, or desktop, which are typically designed for very high volume use in regional and headquarter vaults of commercial banks and central bank vaults. However, the simple attachment of weights, stands, wheels, or similar devices does not, by itself, remove an otherwise portable counter or scanner from the scope of these investigations. Other document and currency handling machines, such as currency wrappers, currency verifiers, bundle counters, coin-handling machines, bill-accepting devices used in vending machines, and ATM machines, also are excluded from the scope of these investigations.

Imports of counters and scanners are currently classifiable under subheading 8472.90.9520 of the Harmonized Tariff Schedule of the United States.¹³

C. Domestic Like Product Issues

Petitioner Cummins-Allison and one respondent, Magner Corp., argued that desktop note counters and scanners represent a single domestic like product. The remainder of the respondents urged the Commission to find two separate like products consisting of desktop note counters and desktop note scanners. Based on the record developed in these preliminary investigations, we determine that there is a single like product comprised of both desktop note counters and scanners.

Desktop note counters and scanners are portable machines designed to count documents, such as currency notes, and provide an operator with the number of documents or notes counted. Scanners have the added capability of denominating currency using a scanning device located along the machine's paper path.¹⁴ A scanner may provide the operator with the total value of a stack of currency and the number of each denomination in the stack of notes, in addition to the number of documents scanned. Both counters and scanners may be equipped with counterfeit detection sensors.¹⁵ The petitioner first developed and produced scanners; later, it developed a line of counters.¹⁶ These counters are similar in many respects to its scanners but do not have the ability to recognize denominations.¹⁷

Domestically produced counters and scanners are manufactured with a wide range of options and capabilities. For example, Cummins-Allison produces a basic counter that has no counterfeit detection capability; a counter that is equipped with counterfeit detection sensors and software; a basic scanner that has no counterfeit detection capabilities; and a scanner equipped with counterfeit detection sensor(s) and software.¹⁸

Physical Characteristics and End Uses. Scanners and counters share the same basic physical characteristics and end uses. Counters and scanners are both machines designed to count documents,

¹³ Notice of Initiation, 65 Fed. Reg. 49224 (Aug. 11, 2000).

¹⁴ CR at I-2; PR at 1-2.

¹⁵ CR at I-2; PR at 1-2.

¹⁶ Prior to 1996 petitioner imported counters made in Japan. When the cost of Japanese counters increased, petitioner elected to produce its own counters domestically. CR at III-1 - III-2; PR at III-1.

¹⁷ Pet. Br. at A-18 - A-20.

¹⁸ CR at V-4; PR at V-3 - V-4.

primarily paper currency. Scanners are essentially counters with the added functionality of sensors and software that allow them to differentiate between various currency denominations (e.g., five, ten, or twenty dollar bills) in a stack of notes, and to calculate the total value of the stack. Similarly, many models of counters contain a counting function that calculates the total value of a stack of notes of the same denomination.

Although there are physical and end use differences between scanners and counters, the physical characteristics of scanners and counters can be described as a continuum of functional features (or add-ons) beginning with the most basic note counter with only a counting function and designed for light processing volumes, and ending with the most sophisticated heavy-duty scanner containing all possible features.¹⁹ These added features may include forgery/counterfeit recognition sensors and software,²⁰ varying types of counting functions, faster and more variable counting speed, and a wide assortment of keypad and display panels.²¹

Interchangeability. Counters and scanners are interchangeable to a certain extent. A scanner can be used as a counter (i.e., to count the number of currency notes in a stack), although a counter cannot be used as a scanner (i.e., to identify specific denominations in a stack containing several denominations of currency notes).²²

Channels of Distribution. Counters and scanners are sold through similar channels of distribution. The two companies currently producing counters and/or scanners in the United States, petitioner Cummins-Allison and De La Rue, Inc. (“De La Rue U.S.”), sell both devices through their own exclusive distributors directly to end users.²³ Petitioner and De La Rue U.S. provide technical service and support contracts for their counters and scanners through their distributors.²⁴

Common Manufacturing Facilities/Production Workers. Cummins-Allison uses the same assembly line and the same production workers to produce counters and scanners. Prior to 1998, De La Rue U.S. produced counters and scanners using different manufacturing facilities in Watertown and in Bensalem, WI. Since October 1998 De La Rue U.S. has produced only counters at its facility in Watertown, WI. However, in September of 2000, De La Rue U.S. is scheduled to begin scanner production at its Watertown facility.²⁵

Customer or Producer Perceptions. Customers such as small grocery stores, seasonal boardwalk businesses, and bingo halls buy primarily basic, or low end, counters.²⁶ These customers do not perceive counters and scanners to be similar because their processing volume requirements are so low (i.e., half an hour per day on average) that the added scanning capability is not necessary and may be cost prohibitive. In contrast, customers such as financial institutions and large gaming operations

¹⁹ CR at V-4; PR at V-3 - V-4.

²⁰ These sensors can be ultraviolet, magnetic ink or both.

²¹ CR at V-3 - V-5; PR at V-3 - V-4. Petitioner described a variety of sensors that can be included in a counter or scanner to contribute additional functionality. Pet. Br. at A-15 -A-17.

²² Conf. Tr. at 13-18.

²³ CR at II-1; PR at II-1. We note that De La Rue U.S. has not produced scanners in the United States since October 1998.

²⁴ CR at II-1 - II-2; PR at II-1.

²⁵ CR at III-2; PR at III-1.

²⁶ De La Rue Br. Exhibit 5 at E72.

purchase scanners as well as high-end counters, each to fulfill a specific function.²⁷ Because scanners are much more expensive than counters, customers generally will purchase scanners only when they have a specific need for scanning capabilities; otherwise they will purchase counters.²⁸

Price. The pricing data in the domestic producer questionnaires show that scanners are sold at substantially higher prices than even high-end counters.²⁹ Cummins-Allison's basic counters, without counterfeit recognition, were priced between \$*** to \$*** per unit over the period of investigation.³⁰ Cummins-Allison's more advanced counters, with counterfeit recognition, ranged from \$*** to \$*** per unit over the period of investigation.³¹ Cummins-Allison's basic scanners, without counterfeit recognition, ranged from \$*** to \$***, while those with counterfeit recognition ranged from \$*** to \$*** per unit over the period of investigation.³²

Conclusion. Although factors such as price and customer perceptions demonstrate differences between counters and scanners, we find that the similar physical characteristics and end uses of the two products, their shared manufacturing facilities and workers, their interchangeability for certain basic applications, and their similar channels of distribution weigh in favor of a single like product finding. Therefore, we find a single domestic like product consisting of desktop note counters and scanners.

D. Domestic Industry and Related Parties³³

The domestic industry is defined as "the producers as a [w]hole of a domestic like product . . ."³⁴ In defining the domestic industry, the Commission's general practice has been to include in the industry all of the domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.³⁵ Based on our finding that the domestic like product consists of both counters and scanners, we conclude that the domestic industry consists of all domestic producers of both products.

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. That provision of the statute 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.³⁶ Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.^{37 38}

²⁷ Petition at 42.

²⁸ Petition at 42.

²⁹ CR & PR Tables V-1 - V-9.

³⁰ CR & PR Table V-1.

³¹ CR & PR Table V-5.

³² CR & PR Tables V-8 - V-9.

³³ Commissioner Askey does not join this section.

³⁴ 19 U.S.C. § 1677(4)(A).

³⁵ See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (CIT 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

³⁶ 19 U.S.C. § 1677(4)(B).

³⁷ Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (CIT 1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (CIT 1987). The primary factors the

(continued...)

De La Rue U.S. is a domestic producer of the like product, accounting for *** percent of domestic production in 1999, and is itself an importer of the subject merchandise.³⁹ De La Rue U.S. also is a *** of De La Rue, PLC (“De La Rue U.K.”), a foreign producer and exporter of the subject merchandise from the United Kingdom.⁴⁰ We find that De La Rue U.K. directly or indirectly controls De La Rue U.S.,⁴¹ and therefore De La Rue U.S. is a related party.

We further find that, on balance, the evidence indicates that appropriate circumstances exist to exclude De La Rue U.S. from the domestic industry.⁴² First, De La Rue U.S. is a significant importer of subject merchandise. It accounted for *** percent of total counter imports and *** percent of total U.S. scanner imports in 1999, for a total of *** percent of counter and scanner imports combined.⁴³ Although De La Rue U.S.’s domestic production of counters and scanners exceeded its imports of subject counters and scanners from ***, the ratio of subject imports to domestic production increased steadily and substantially throughout the period of investigation.⁴⁴ In addition, De La Rue U.S.’s ratio of U.S. shipments of subject merchandise in comparison to its shipments of domestically manufactured counters

³⁷ (...continued)

Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (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, *i.e.*, 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; and (3) the position of the related producers vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. *See, e.g., Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (CIT 1992), *aff’d without opinion*, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. *See, e.g., Melamine Institutional Dinnerware from China, Indonesia, and Taiwan*, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 (Feb. 1997) at 14, n.81.

³⁸ Commissioner Bragg does not join the remainder of this section. As set forth in her separate views, she finds that appropriate circumstances do not exist to exclude De La Rue U.S. from the domestic industry as a related party.

³⁹ De La Rue U.S. accounted for *** percent of domestic production of counters (excluding scanners). CR at III-1; PR at III-1. We note that petitioner alleged several times in its petition and at the Staff Conference that it was the sole domestic producer of counters.

⁴⁰ De La Rue Br. at 1.

⁴¹ In particular, a “strategic decision” by De La Rue U.K. in September 1998 led to the consolidation of scanner production in the United Kingdom and the closure of the De La Rue U.S. facility in Bensalem, PA. In June 2000, De La Rue U.K. announced that it would return scanner production in September to De la Rue’s remaining production facility in Watertown, WI (where it has been steadily decreasing counter production in order to consolidate product offerings and reduce product overlap between De La Rue U.S. and De La Rue U.K.). *See, e.g.*, CR at III-2 and III-3 n.8.

⁴² We note, however, that including De La Rue U.S. in the domestic industry would not affect our ultimate determination as to the lack of a reasonable indication of material injury and lack of a reasonable indication of threat of material injury by reason of subject imports.

⁴³ CR & PR Tables IV-1 - IV-2.

⁴⁴ De La Rue U.S. domestically manufactured *** counters and scanners in 1997, *** in 1998, and *** in 1999. It imported (from ***) *** counters and scanners in 1997, *** in 1998, and *** in 1999. De La Rue Questionnaire responses at 5-6. We also note that the value added by De La Rue U.S.’s domestic production was only ***. CR at VI-7; PR at VI-5.

and scanners was even higher because most of its U.S. production during the period of investigation was dedicated to export sales.⁴⁵

Moreover, the record indicates that decision making authority for De La Rue U.S. is centered in De La Rue U.K., which is both a foreign producer and exporter of subject merchandise. Whether and to what extent De La Rue U.S. produces counters and/or scanners in the United States is a matter of operational decisions made in the United Kingdom. Finally, De La Rue U.K. filed a brief in opposition to the petition on behalf of itself and of De La Rue U.S. In addition, De La Rue U.S. appeared at the Staff Conference as a respondent in these investigations.⁴⁶ For these reasons, we determine that De La Rue's primary interest does not lie with domestic production, and therefore, we exclude it from the domestic industry.

Therefore, consistent with our like product finding, we find one domestic industry currently consisting of one manufacturer of desktop note counters and desktop note scanners, Cummins-Allison.⁴⁷

III. CUMULATION⁴⁸

A. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, section 771(7)(G)(i) of the Act requires the Commission to assess cumulatively the volume and effect of imports of the subject merchandise 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 domestic like products in the U.S. market.⁴⁹ In assessing whether subject imports compete with each other and with the domestic like product,⁵⁰ the Commission has generally considered four factors, including:

- (1) the degree of fungibility between the subject imports from different countries and between 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;

⁴⁵ De La Rue's U.S. shipments of domestically manufactured counters and scanners were *** units in 1997, *** in 1998, and *** in 1999. Its U.S. shipments of subject merchandise (from ***) were *** units in 1997, *** in 1998, and *** in 1999. De La Rue Questionnaire responses at 5-6.

⁴⁶ We note that the record evidence is mixed regarding whether De La Rue U.S. benefitted financially from its relationship with De La Rue U.K. or from being an importer.

⁴⁷ A third company, G&D, manufactured counters and scanners during the period of investigation, accounting for *** percent of total domestic production in 1999. G&D ceased production of counters in 1998 but continued to produce scanners until December 1999, when it ceased production as a result of a patent infringement suit against it by Cummins-Allison. CR at III-2; PR at III-2.

⁴⁸ Commissioners Bragg and Askey join this section of the opinion.

⁴⁹ 19 U.S.C. § 1677(7)(G)(i).

⁵⁰ The SAA at 848 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," citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

- (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.⁵¹

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.⁵² Only a “reasonable overlap” of competition is required.⁵³

B. Analysis

We cumulate the subject imports from China, Korea, and the United Kingdom for purposes of our analysis of present material injury. The petitions were filed on the same day. We find that there is a reasonable, although limited, overlap of competition among imports from each of the subject countries and between subject imports and the domestic like product.

First, there is a moderate level of interchangeability among the subject imports and the domestic merchandise, although it is somewhat limited. The questionnaire data show that imports from Korea and China, which consisted only of counters, are highly interchangeable with each other but only moderately so with domestic counters,⁵⁴ and very little, if at all, with domestic scanners.^{55 56} Imports from the United Kingdom, which consisted of both counters and scanners, are moderately interchangeable with imports from China and Korea and more interchangeable with the domestic like product.⁵⁷ Overall, based on the record evidence, the subject imports appear to be moderately interchangeable with the domestic like product and each other.

Second, there is a geographic overlap in sales among the subject imports and the domestic like product. Cummins-Allison, De La Rue U.S., and most of the other major importers reported that they sell counters and scanners nationwide.⁵⁸ Imports of the subject merchandise from all three countries

⁵¹ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (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).

⁵² See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int’l Trade 1989).

⁵³ See Goss Graphic System, 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”); Mukand and Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int’l Trade 1996); Wieland Werke, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”).

⁵⁴ CR at II-8; PR at II-5 (from importer questionnaires).

⁵⁵ CR at II-8 - II-9; PR at II-5 - II-6.

⁵⁶ Commissioner Bragg does not join this statement.

⁵⁷ CR at II-8 - II-10; PR at II-5 - II-7. Counters and scanners each accounted for a significant portion of U.S. shipments by both the U.S. and U.K. industries. For example, in 1999, U.S. shipments of subject imports from the United Kingdom totaled *** counters and *** scanners, and the U.S. industry’s shipped *** counters and *** scanners. CR & PR Tables C-4 - C-5.

⁵⁸ CR at V-2; PR at V-1; see e.g., CR at II-1, IV-1; PR at II-1, IV-1; see also, questionnaire responses.

were present over the course of the period of investigation,⁵⁹ and therefore were simultaneously present in the marketplace.⁶⁰

Finally, there are similarities, albeit limited, in channels of distribution between the subject imports and the domestic like product. Domestically produced scanners and counters and imports of the subject merchandise from the United Kingdom are sold directly to end users through a network of distributors. Subject imports from China and Korea generally are sold by importers to independent distributors, who in turn mark up the price to end users by between 35 and 50 percent.⁶¹ Still, some importers do sell directly to end users through Internet sales.⁶²

Based on a consideration of these factors, we find that there is a reasonable, but limited, overlap of competition among the subject imports from China, Korea, and the United Kingdom, and between the subject imports and the domestic like product. Consequently, we cumulate subject imports from China, Korea, and the United Kingdom.

IV. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS⁶³

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.⁶⁴ In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.⁶⁵ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁶⁶ 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.⁶⁷ 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.”⁶⁸

For the reasons discussed below, we determine that there is no reasonable indication that the domestic industry is materially injured by reason of subject imports from China, Korea, and the United Kingdom that are allegedly sold in the United States at less than fair value.

⁵⁹ CR & PR Table C-6. We note, however, that Korea did not begin exporting in commercially significant volumes to the U.S. market until 1998.

⁶⁰ See also, Pet. Br. at 7.

⁶¹ Magner Br. at 31 citing Conf. Tr. at 77.

⁶² CR at V-22; PR at V-8.

⁶³ Commissioners Bragg and Askey do not join the remainder of this opinion.

⁶⁴ 19 U.S.C. § 1671b(a) and 1673b(a).

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

⁶⁶ 19 U.S.C. § 1677(7)(A).

⁶⁷ 19 U.S.C. § 1677(7)(C)(iii).

⁶⁸ 19 U.S.C. § 1677(7)(C)(iii).

A. Conditions of Competition

We find several conditions of competition relevant to these investigations.

Demand for note counters constitutes the majority of overall demand for the currency handling devices that are the subject of these investigations.⁶⁹ The record indicates that consumption of counters and scanners has been growing considerably,⁷⁰ rising *** percent from 1997 to 1999. Consumption was *** percent higher in January-March (“interim”) 2000 than in 1999. Consumption also grew for both counters and scanners separately. Apparent consumption of counters grew by *** percent between 1997 and 1999, and was *** percent higher in interim 2000 compared to interim 1999.⁷¹ Scanner consumption grew at an even faster rate, rising by *** percent between 1997 and 1999.⁷²

We find that the limited degree of competition between scanners and counters, as well as among the different types of counters and among the different types of scanners, is an important condition of competition. There is a clear distinction between counters and scanners, given the significantly higher prices for scanners; the tendency for purchasers to purchase scanners only when they need denomination recognition features; and the fact that purchasers who need denomination recognition features must buy scanners and not counters.⁷³ The record also indicates that there are several distinct types of scanners and counters with differences in capability, durability, and overall functionality, and selling at distinct price points. The pricing data collected in this investigation provide direct evidence that these different types of products, sold at very different prices, can all be in the market at the same time.⁷⁴ For example, with respect to product 1 (basic note counter, without counterfeit detection capability), Cummins-Allison’s prices were roughly half those of De La Rue U.S., yet both sold substantial quantities.⁷⁵ With respect to both product 1 and product 2 (basic note counter with counterfeit detection capability), prices for many subject imports were substantially lower than those for Cummins-Allison and De La Rue U.S.,⁷⁶ yet Cummins-Allison and De La Rue U.S. maintained substantial volumes and, as discussed below, their prices generally remained stable. We find that differentiation between product types explains how Cummins-Allison and De La Rue U.S. could maintain their substantial volumes and prices in the face of such persistent underselling.

Petitioner’s counters mainly compete in the mid- to high-range of the market dominated by customers requiring high quality, heavy-duty machines that can handle large volumes of notes; the kind of machines respondents market as their “deluxe” models.⁷⁷ These higher-end machines primarily

⁶⁹ CR & PR Tables IV-3 - IV-4.

⁷⁰ Petitioner alleged that domestic demand for counters and scanners has remained relatively constant since 1997 due to the restructuring of the U.S. banking industry. CR at II-6; PR at II-3.

⁷¹ CR & PR Tables IV-3 - IV-4.

⁷² CR & PR Table IV-4. Scanner consumption in interim 2000 (***) units) was similar to that in interim 1999 (***) units).

⁷³ Petition at 42.

⁷⁴ CR & PR Tables V-1 - V-9.

⁷⁵ CR & PR Tables V-1 - V-5.

⁷⁶ Prices for several importers were those to distributors. Several importers indicated that distributors will mark-up prices by 35 to 50 percent when selling to end-users. CR at V-20, PR at V-7. Even with this level of mark-up, prices for subject imports from Korea and China were persistently and significantly below those for Cummins-Allison’s and De La Rue’s products. See CR & PR Tables V-1 to V-7.

⁷⁷ See e.g., De La Rue Br. Exhibit 5 at E72 (De La Rue U.S. sells its high volume counters almost entirely to large institutional customers, but sells none to the low-volume customers). Scanners and high volume counters are primarily sold to financial institutions, the gaming industry, and large retail operations that require direct technical

(continued...)

compete with petitioner's machines and with De La Rue U.S.'s higher-end models.⁷⁸ Low-end counters, mainly from China and Korea, are not designed to handle high volumes of throughput over extended periods of time.⁷⁹ These low-end counters seldom compete for the same customers that purchase petitioner's counters, and almost never compete for customers that purchase petitioner's scanners.⁸⁰

The record indicates that petitioner's counters are essentially versions of its high-end, heavy-duty scanner but with scanning capabilities removed. Petitioner testified that it had first developed and produced its scanners and later launched its own line of domestically produced counters, which were functionally lesser versions of its scanners.⁸¹ This is reflected by petitioner's four general products: (a) scanners with counterfeit detection; (b) scanners without counterfeit detection; (c) counters with counterfeit detection; and (d) counters without counterfeit detection.⁸² The three latter products are versions of the first product, using the same housing and physical components, but with fewer functions.⁸³ Because petitioner's product line, including its counters, consists of versions of a high-end model, it does not produce a machine that is designed for lower volume, lesser duty applications, such as for small customers that require an inexpensive machine designed to operate an average of half an hour per day.⁸⁴

There are a limited number of suppliers capable of supplying counters and scanners. Petitioner supplies both counters and scanners, as does ***, the primary source of nonsubject imports of counters and scanners. De La Rue U.S. supplies both devices though a combination of direct importation from the *** and U.S. production (counters at present, scanners by September 2000). G&D, a former domestic producer of note counters and scanners, produced and sold both devices but halted its U.S. counter production in 1998 and its U.S. scanner production in late 1999.⁸⁵ The other principal sources of imports (subject countries China and Korea) export counters to the United States.

Finally, nonsubject imports of both counters and scanners from Japan have a substantial presence in the U.S. market.⁸⁶ Imports of scanners from Japan increased from *** units in 1997 to *** units in 1999, a *** percent increase over the period of investigation, while imports of counters from Japan increased between 1997 and 1999 from *** units to *** units.⁸⁷ In 1999, counter imports from Japan accounted for *** percent of total imports of counters. Scanners from Japan accounted for *** percent of total imports of scanners, and counters and scanners combined accounted for *** percent of total

⁷⁷ (...continued)

support and repair services from their suppliers. See, CR at II-5 - II-7; PR at PR at II-3-II-4.

⁷⁸ Magner Br. at 32.

⁷⁹ Magner Br. at 27-29.

⁸⁰ Lead time is also an important distinction between petitioner's high-end note counters and scanners, and low-end counters. Petitioner reported its lead times were *** whereas importers, including ***, reported lead times ranging from ***. CR at II-7; PR at II-5. (***) is the only respondent to report lead times of ***). Moreover, Magner provides service and support for its high-end products from Japan, which it sells through its own distribution network. In contrast, Magner's low-end counters are sold through an entirely different network of independent distributors that offer their own repair and support services. Magner Br. At 32.

⁸¹ Conf. Tr. at 7-12, 47; CR at III-1 - III-2; PR at III-1.

⁸² Conf. Tr. at 7-12, 47.

⁸³ Conf. Tr. at 7-12, 47.

⁸⁴ CR at V-22, PR at V-18; Magner Br. at 27-29.

⁸⁵ CR at III-2; Pr at III-2.

⁸⁶ ***. CR at IV-1 n. 1; PR at IV-1, n. 1.

⁸⁷ CR & PR Tables IV-1 - IV-2.

imports in 1999.⁸⁸ The record reflects that Japanese currency handling devices compete directly with higher-end scanners and counters, and are always interchangeable with domestically produced machines.⁸⁹

B. Volume

Section 771(7)(C)(i) of the Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”⁹⁰

The volume of the subject imports increased both in terms of units shipped and market share throughout the period of investigation. Subject imports of counters and scanners increased from *** units in 1997 to *** units in 1999.⁹¹ Subject imports were higher in interim 2000 (*** units) than they were in interim 1999 (*** units). Market share data reflect similar trends. Market share of subject import shipments increased from *** percent in 1997 to *** percent in 1999, and was *** percent in interim 1999 compared to *** percent in interim 2000.⁹²

The increase in volume and market share of subject imports during the period of investigation, when viewed in isolation, is significant. However, when evaluated in the context of the conditions of competition and in the absence of significant negative price effects, the volume of subject imports, and the increase in the volume, are not sufficient to demonstrate that the subject imports themselves made a material contribution to any injury to the domestic industry.

C. Price Effects of the Subject Imports

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

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

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.⁹³

The Commission requested U.S. producers and importers of counters and scanners to provide quarterly data for the total quantity and value of counters and scanners that were shipped to unrelated customers in the U.S. market. Data were requested for the period January 1997 through March 2000 on four general types of machines; two types of counters (products 1 and 2) and two types of scanners

⁸⁸ CR & PR Table C-1 - C-2. Indeed, petitioner acknowledged substantial competition from imports from Japan, Conf. Tr. at 11, 35-36. Petitioner stated that it did not bring a petition against imports from Japan because it would not meet the injury requirements “under [Commission] rules.” Petitioner also stated that prior to a successful patent infringement case against a Japanese producer and exporter of scanners and counters, scanners from Japan sold for 30 to 40 percent less than comparable domestically manufactured scanners. Conf. Tr. at 36.

⁸⁹ CR at II-10; PR at II-7.

⁹⁰ 19 U.S.C. § 1677(7)(C)(i).

⁹¹ CR & PR Table IV-1 - IV-2.

⁹² Market share as calculated from import shipments. CR & PR Table C-6.

⁹³ 19 U.S.C. § 1677(7)(C)(ii).

(products 3 and 4).⁹⁴ The price data received by the Commission accounted for 100 percent of domestic shipments and 100 percent of subject imports. Subject imports of counters undersold the domestic product in approximately two-thirds of the comparisons, but subject imports of scanners generally oversold the domestic product.⁹⁵ However, we do not find the underselling that did exist to be significant because it had no significant effect on domestic prices, reflecting to a great degree limited competition among differentiated product types.

The domestic industry's prices for product 1, which sells at substantially higher volumes than product 2, were essentially unchanged from the third quarter of 1997 to the end of the period of investigation.⁹⁶ Prices for product 2 remained stable through most of the period of investigation, and declined a modest *** percent in the last 4 quarters of the period of investigation.⁹⁷ The price of product 3 increased substantially from \$*** per unit in the first quarter of 1997 to \$*** in the first quarter of 2000. The price of product 4 remained relatively stable throughout the period of investigation, beginning in the first quarter of 1999 at \$*** per unit and ending the first quarter of 2000 at \$***.⁹⁸

We do not find any clear evidence of significant price depression, as prices generally rose or remained stable, with at most a slight decline at the end of the period of investigation for only one of the four products surveyed. Also, we do not see any clear correlation between underselling and the movement of prices. Prices declined slightly for products 2 and 4 (comparing first quarter 1997 to first quarter 2000), but there was underselling only with respect to product 2. Since early in the period of investigation, prices for products 1 and 3 were generally stable or increasing (prices for product 1 fluctuated between third quarter 1997 and first quarter 2000, but ended at effectively the same level) despite underselling with respect to product 1. Moreover, for products 1 and 2 domestic prices fluctuated from quarter to quarter. These varying price trends in the face of substantial underselling indicate a lack of price depression by subject imports. For these reasons we find that the subject imports did not depress domestic prices to a significant degree. Rather, as discussed above, lack of competition among differentiated product types enabled domestic prices for high-end counters to remain essentially stable despite the presence in the market of lower priced subject imports.⁹⁹

We also do not find that subject imports suppressed domestic prices to a significant degree. The ratio of cost of goods sold to net sales of counters declined from *** to *** percent during the period of investigation,¹⁰⁰ suggesting that prices are not being suppressed relative to costs. The ratio of cost of goods sold to net sales of scanners also declined from *** to *** percent during the period of investigation,¹⁰¹ while the prices of U.S.-produced scanners increased significantly.¹⁰² Thus, we do not find significant price suppression by the subject imports.

⁹⁴ CR at V-4; PR at V-3 - V-4.

⁹⁵ See CR & PR Tables V-1 - V-9. Even with 35 to 50 percent markup by independent distributors, prices for subject imports from China and Korea were persistently and significantly below prices reported by Cummins-Allison and De La Rue U.S. See CR & PR Tables V-1 - V-7.

⁹⁶ CR & PR Table V-1.

⁹⁷ CR & PR Table V-5.

⁹⁸ CR & PR Table V-9.

⁹⁹ While we excluded De La Rue U.S. from the domestic industry, we note that De La Rue's prices for products 1 and 2 increased over the period of investigation and were significantly higher than petitioner's prices. For 1997, and 1998, the years De La Rue U.S. produced products 3 and 4, the data show prices for product 3 declining slightly and those for product 4 increasing slightly. Prices for both products were significantly above petitioner's. CR & PR Tables V-1 and V-5.

¹⁰⁰ CR & PR Table C-4.

¹⁰¹ CR & PR Table C-5.

¹⁰² CR & PR Tables V-8 - V-9.

Accordingly, we find that the subject imports did not adversely affect prices for the domestic like product to a significant degree.

D. Impact

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.¹⁰³ These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”^{104 105}

We do not find that the subject imports had a material adverse impact on the domestic industry. Although subject imports increased during the period of investigation and generally undersold domestic merchandise, the domestic industry registered strong performance by most measures, particularly financial indicators.¹⁰⁶

Production of counters and scanners grew from *** units in 1997 to *** units in 1999.¹⁰⁷ Capacity utilization increased substantially from *** percent to *** percent from 1997 to 1999, reflecting the increase in production.¹⁰⁸ Employment of production workers did decrease but only by *** over the period of investigation, from *** in 1997 to *** in interim 2000.¹⁰⁹ Hourly wages rose throughout the period of investigation; total wages rose from 1997 to 1999.¹¹⁰ There were no major changes to productivity. The volume of the domestic industry’s U.S. shipments of counters and scanners increased from *** units in 1997 to *** units in 1999, but were down from *** units in interim 1999 compared to *** units in interim 2000.¹¹¹ The value of U.S. shipments also increased, from \$*** million in 1997 to \$*** million in 1999, but were down from \$*** million in interim 1999 to \$*** million in interim 2000.¹¹² The domestic industry’s market share rose from *** percent in 1997 to *** percent in 1999.¹¹³

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

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

¹⁰⁵ The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii) (V). In its notice of initiation, Commerce stated that the estimated dumping margins were between 0.78 and 95.29 percent. 64 Fed. Reg. 66892, 66894 (Nov. 30, 1999).

¹⁰⁶ Given the short duration of the interim period (three months), we put limited weight on the interim period data, and focus on the full year data.

¹⁰⁷ CR & PR Table C-6.

¹⁰⁸ CR & PR Table C-6. Capacity utilization was *** percent in interim 2000, compared to *** in interim 1999.

¹⁰⁹ CR & PR Table C-6.

¹¹⁰ CR & PR Table C-6.

¹¹¹ CR & PR Table C-6.

¹¹² CR & PR Table C-6.

¹¹³ CR & PR Table C-6. Market share in interim 2000 was *** percent, compared to *** percent in interim

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(continued...)

The industry also registered strong financial performance. The industry's operating income margin, as a ratio of net sales, increased from *** percent in 1997 to *** percent in 1999. First quarter 2000 data suggest continued improvement in the health of the industry, with the operating margin reaching *** percent.¹¹⁴

Petitioner alleged that subject imports were impeding the domestic industry from making necessary capital and research and development ("R&D") expenditures in an industry that requires substantial investment in R&D in order to remain competitive. The data do not bear this out. Capital and R&D expenditures increased significantly over the period of investigation at the same time that subject imports were increasing. Indeed, capital and R&D expenditures were at their highest levels when subject imports volumes were at theirs. Capital expenditures grew almost ***, rising from \$*** in 1997 to \$*** in 1999, and were higher in interim 2000 at \$*** than in interim 1999 when they were \$***. R&D expenses also increased, rising from \$*** in 1997 to \$*** in 1999; likewise they were \$*** in interim 2000, compared to \$*** in interim 1999.¹¹⁵ Capital expenditures and R&D as a share of combined total net sales rose from *** percent in 1997 to *** percent in 1999.¹¹⁶

Thus, most performance measures indicate that the domestic industry is doing well. The industry, which is concentrated in the production of higher-valued machines, also was successful in raising its prices over the period of investigation. As the increase in net sales values outpaced the increase in unit costs, the industry's financial performance, which was strong at the beginning of the period of investigation, improved.¹¹⁷

Therefore, based on the record in these investigations, we find that there is no reasonable indication that an industry in the United States is materially injured by reason of imports of desktop note counters and scanners from China, Korea, and the United Kingdom that are allegedly sold in the United States at less than fair value.

V. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

A. **Cumulation for Purposes of Analyzing the Threat of Material Injury**

Cumulation for threat analysis is treated in Section 771(7)(H) of the Act.¹¹⁸ This provision leaves to the Commission's discretion the cumulation of imports in analyzing threat of material injury. De La Rue U.K. has announced plans to shift scanner production from the United Kingdom to the United States in September 2000. As a result, there will likely be no subject imports of scanners in the

¹¹³ (...continued)
1999.

¹¹⁴ CR & PR Table C-6. Operating income losses on counters predate the increased volume of subject imports; these losses fell in magnitude and as a percentage of net sales from 1997 to 1999, as subject imports increased. CR & PR Table C-4. Also, we note that if the domestic industry were to include De La Rue U.S., operating income margins would still reflect an increase in profitability over the period of investigation, from *** percent in 1997 to *** percent in 1999. CR & PR Table C-3.

¹¹⁵ CR & PR at Table VI-5. We note that the interim 2000 figure, when annualized, is similar to the full year 1999 figure.

¹¹⁶ Petitioner argued that, to remain competitive, it must increase its expenditures on R&D to 20 percent of its sales revenue. However, petitioner provided no proof that this threshold is necessary to remain competitive in this particular industry.

¹¹⁷ The interim data show that this profitability has continued. CR & PR at Table C-6.

¹¹⁸ 19 U.S.C. § 1677(7)(H).

imminent future because neither China nor Korea export scanners to the United States.¹¹⁹ Thus, subject imports will consist solely of counters in the imminent future. Therefore, based on an evaluation of the relevant criteria as well as our analysis supporting cumulation in the context of assessing present material injury, we exercise our discretion to cumulate imports from China, Korea, and the United Kingdom for purposes of assessing whether there is a reasonable indication of threat of material injury.

B. Statutory Factors

Section 771(7)(F) of the Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether “further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted.”¹²⁰ The Commission may not make such a determination “on the basis of mere conjecture or supposition,” and considers the threat factors “as a whole.”¹²¹ In making our determination, we have considered all factors that are relevant to this investigation.¹²² Based on an evaluation of the relevant statutory factors, we find that there is no reasonable indication that an industry in the United States is threatened with material injury by reason of imports of certain desktop note counters and desktop note scanners from China, Korea and the United Kingdom that are allegedly sold in the United States at less than fair value.

As an initial matter, we reiterate our observation that the domestic industry is currently prospering in virtually every respect. In fact, the industry’s operating performance improved significantly over the period of investigation.

As noted above, subject imports increased rapidly and significantly between 1997 and 1999. We found that these increases were significant but, in light of conditions of competition and absence of a price effect, they did not make a material contribution to any injury to the domestic industry. Taking into account (a) the cessation of subject scanner imports from the United Kingdom after September 2000; (b) the lack of competition among different product types; (c) the healthy state of the domestic industry; and (d) the substantial presence of imports from Japan in the market, we find that any future increase in the volume of subject counters and scanners is unlikely to have a significant adverse effect on the domestic industry.¹²³

Chinese and U.K producers of subject merchandise projected no increase in capacity or excess production capacity that would indicate the likelihood of substantially increased imports of subject merchandise into the United States.¹²⁴ The Korean industry did project increased production capacity in

¹¹⁹ CR at IV-5; PR at IV-4.

¹²⁰ 19 U.S.C. §§ 1673b(a) and 1677(7)(F)(ii).

¹²¹ 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon “positive evidence tending to show an intention to increase the levels of importation.” Metallwerken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int’l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int’l Trade 1984). See also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int’l Trade 1992), citing H.R. Rep. No. 98-1156 at 174 (1984).

¹²² 19 U.S.C. § 1677(7)(F)(I). Factor I regarding countervailable subsidies and Factor VII regarding raw and processed agriculture products are inapplicable to the product at issue. See 19 U.S.C. § 1677(7)(F)(I)(I) and (VII).

¹²³ While petitioner alleged that Chinese and Korean manufacturers will begin shipping scanners to the U.S. market in the near future, there is no tangible record evidence that Chinese and Korean manufacturers will imminently produce machines capable of scanning U.S. currency denominations, nor any evidence that such scanners will imminently enter the U.S. market.

¹²⁴ CR & PR Tables VII-1 - VII-2, VII-5 - VII-6.

2000 and 2001.¹²⁵ However, the U.S. market for the three subject countries is less important than their home markets or other export markets.¹²⁶ Thus, while there may be some possibility of increases in subject import volume, we do not find it likely that any such increase would be substantial.

We find that there is unlikely to be a significant degree of product shifting in China, Korea, and the United Kingdom. The record contains no indication that the equipment currently used to make money handling machines other than subject counters and scanners in China, Korea, and the United Kingdom can be used to produce any other product.

We note that U.S. importers' inventories of the subject imports increased at the end of the investigation period. However, in general, the ratios of inventories to both shipments and to imports remained at approximately their historic levels.¹²⁷ The foreign producers' inventories as a ratio to production and shipments were low at the end of the period of investigation.¹²⁸

We do not find that imports of the subject merchandise are likely to enter the U.S. market at prices that are likely to depress or suppress domestic prices to a significant degree. As noted above, despite underselling by domestic products during the investigation period, subject imports neither suppressed nor depressed U.S. prices to a significant degree. We find no indication that competitive conditions will change to such a degree that subject imports in the imminent future would have such an effect. Moreover, both capital expenditures and research and development expenditures increased markedly over the investigation period, indicating that imports are unlikely to have any negative effect on development and production efforts of the domestic industry.¹²⁹ Finally, the record in these investigations does not indicate any demonstrable adverse trends suggesting that subject imports will imminently materially injure the domestic industry.

Based on these factors, we determine that the domestic industry producing desktop note counters and desktop note scanners is not threatened with material injury by reason of subject imports from China, Korea, and the United Kingdom.

CONCLUSION

For the reasons stated above, we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of certain desktop note counters and desktop note scanners from China, Korea, and the United Kingdom that are allegedly sold in the United States at less than fair value.

¹²⁵ CR & PR Table VII-3.

¹²⁶ CR & PR Tables VII-1 - VII-6.

¹²⁷ CR & PR Tables VII-7 - VII-8.

¹²⁸ CR & PR Tables VII-1 - VII-6; compare with CR & PR Table C-6.

¹²⁹ CR & PR at Table VI-5.

CONCURRING VIEWS OF COMMISSIONER THELMA J. ASKEY

Based on the record in these investigations, I find that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of desktop note counters and desktop note scanners from China, Korea and the United Kingdom that are allegedly sold in the United States at less than fair value (“LTFV”).¹

I write separately because I find that appropriate circumstance do not exist to exclude the domestic producer De La Rue, Inc. from the domestic industry. However, I concur with my colleagues’ discussion of the legal standard for our preliminary determination and their findings with respect to the domestic like product and cumulation. Accordingly, I join the views of the Commission with respect to these issues. I set forth the details of my domestic industry/related party, material injury and threat of material injury analysis below.

I. THE DOMESTIC INDUSTRY AND RELATED PARTIES

The domestic industry is defined as “the producers as a [w]hole of a domestic like product . . .”² In defining the domestic industry, the Commission’s general practice has been to include in the industry all of the domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.³ Because I find that there is one domestic like product in this proceeding, consisting of desktop note counters and scanners, I also find that the domestic industry consists of the domestic producers of desktop note counters and scanners, which includes Cummins-Allison Corporation (“C-A”) De La Rue, Inc. (“De La Rue US”), and Gisika and Deveron (“G&D”).⁴

Under the statute, the Commission may exclude from the domestic industry, if appropriate circumstances exist, any producers that are related to an exporter or importer of subject merchandise or which are themselves importers.⁵ However, exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each case.⁶ In this case, De La Rue US is a *** of De La

¹ There is no issue these investigations regarding whether there is a reasonable indication that a domestic industry is materially retarded by reason of subject imports.

² 19 U.S.C. § 1677(4)(A).

³ See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (CIT 1994), aff’d, 96 F.3d 1352 (Fed. Cir. 1996).

⁴ A third producer, G&D, the successor to Technitrol, manufactured counters and scanners during the period of investigation, accounting for *** percent of total production in 1999. G&D ceased production of counters in 1998 but continued to produce scanners until December 1999, when it ceased production as a result of a patent infringement suit against it by Cummins-Allison. CR at III-2, PR at III-2.

⁵ 19 U.S.C. § 1677(4)(B).

⁶ Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (CIT 1989), aff’d without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (CIT 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (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, *i.e.*, 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; and (3) the position of the related producers vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, *e.g.*, Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (CIT 1992), aff’d without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, *e.g.*, Melamine²¹
(continued...)

Rue, PLC (“De La Rue U.K.”), a British producer and exporter of the subject merchandise. De La Rue US is therefore a related party. Accordingly, I have considered whether appropriate circumstances exist to exclude De La Rue US from the industry.

I find that appropriate circumstances do not exist to exclude De La Rue US from the industry. First, De La Rue US is one of the two significant domestic producers of desktop note counters and scanners and accounted for nearly *** percent of domestic production in 1999.⁷ Although De La Rue US imported an increasing number of desktop note counters and scanners from the United Kingdom and Korea during the period of investigation and produced a decreasing number of counters and scanners at the same time, De La Rue US continues to produce a substantially larger volume of note counters and scanners than it imports from the subject countries.⁸ Moreover, in June 2000, De La Rue US publicly announced that it would resume scanner production in the United States at its Watertown, Wisconsin production facility. Thus, the record indicates that De La Rue US has accounted for a significant percentage of domestic production and will account for substantially larger volumes of domestic production of scanners in the near future. Accordingly, I find that De La Rue US’s primary interest lies in domestic production and not in importation of the subject merchandise.

Secondly, De La Rue US reported that it began importing subject merchandise from its British parent after relocating its scanner production facilities to the United Kingdom in September 1998.⁹ De La Rue US stated that it made this decision to consolidate its production operations and serve international markets more efficiently.¹⁰ De La Rue US has subsequently announced that it will move these production operations back to the United States, primarily because of disappointing sales from the United Kingdom location.¹¹ Given this, it is clear that De La Rue US began importing scanners from its parent in 1998 and 1999 not to benefit from LTFV sales, but rather as a result of its decision to more efficiently rationalize its international production operations. Moreover, given that it has decided to resume its scanner production in the United States, it is clear that De La Rue US itself has concluded that it has not, and will not, benefit significantly from continued importation of subject merchandise from the United Kingdom.

Finally, the record indicates that inclusion of De La Rue US in the industry will not unfairly skew the industry’s financial results. On the contrary, because the record indicates that De La Rue US has ***,¹² I find that including De La Rue US in the domestic industry will not make the industry appear to be healthier than it actually is.

On the whole, therefore, I find that appropriate circumstances do not exist to exclude De La Rue US from the industry.

⁶ (...continued)

Institutional Dinnerware from China, Indonesia, and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 (Feb. 1997) at 14, n.81.

⁷ Moreover, De La Rue US accounted for *** percent of domestic production of counters (excluding scanners). CR at III-1; PR at III-1.

⁸ De La Rue domestically manufactured *** counters and scanner in 1997, *** counters and scanners in 1998, and *** counters and scanners in 1999. It imported *** counters and scanners from the United Kingdom and Korea in 1997, *** in 1998, and *** in 1999. De La Rue Producer and Importer Questionnaire Responses.

⁹ CR at III-2 & IV-5, PR at III-2 & IV-4.

¹⁰ CR at III-2 & IV-5, PR at III-2 & IV-4.

¹¹ CR at III-2, PR at III-2.

¹² See CR and PR at Tables VI-2 & VI-3.

II. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS FROM CHINA, KOREA, AND THE UNITED KINGDOM

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.¹³ In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.¹⁴ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”¹⁵ In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, I consider all relevant economic factors that bear on the state of the industry in the United States.¹⁶ No single factor is dispositive, and all relevant factors are to be considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”¹⁷

For the reasons discussed below, I determine that there is no reasonable indication that the domestic industry is materially injured by reason of subject imports of desktop note counters and desktop note scanners from China, Korea, and the United Kingdom that are allegedly sold in the United States at less than fair value.

A. Conditions of Competition

As directed by the statute, I have taken the following conditions of competition into account when performing my analysis in this proceeding:

First, desktop note counters and scanners are used to count documents, primarily currency, and to provide an operator with the number of documents or notes counted.¹⁸ Desktop note counters and scanners both count currency and both may have the ability to assess whether currency is counterfeit. However, scanners also have the ability to keep track of the denominations of the currency counted as well as the total value of a particular stack of currency.¹⁹ Accordingly, desktop note counters and scanners are used in money processing applications across a range of industries, with end uses being concentrated in the banking and large retail store areas.²⁰ Nonetheless, desktop note counters and scanners are also sold to smaller end users, such as small retail establishments, who need only less expensive, less durable machines.²¹

Second, demand for desktop note counters and scanners increased considerably during the period of investigation, growing by more than *** percent between 1997 and 1999 and then growing by an

¹³ 19 U.S.C. § 1671b(a) and 1673b(a).

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

¹⁵ 19 U.S.C. § 1677(7)(A).

¹⁶ 19 U.S.C. § 1677(7)(C)(iii).

¹⁷ 19 U.S.C. § 1677(7)(C)(iii).

¹⁸ CR at I-2, PR at I-2.

¹⁹ CR at I-2-3, PR at I-2-3.

²⁰ CR at II-5, PR at II-3.

²¹ CR at II-5, PR at II-4.

additional *** percent between interim 1999 and 2000.²² Although the record indicates that there have been increases in demand for counters and scanners alike, growth in the scanners segment of the market has considerably outpaced growth in the counters segment of the market. More particularly, apparent consumption of counters increased by *** percent between 1997 and 1999,²³ while apparent consumption of scanners increased by *** percent between 1997 and 1999.²⁴

Third, the domestic industry's aggregate production capacity and production levels decreased significantly during the period of investigation. The industry's overall reported capacity declined by *** percent during the period of investigation, falling from *** units in 1997 to *** units in 1999.²⁵ Similarly, the industry's production levels fell by *** percent during the same period while its capacity utilization rates declined by *** percent.²⁶ Nonetheless, the record clearly indicates that these aggregate production and capacity declines are attributable exclusively to changes made by De La Rue US in its production operations and have nothing to do with LTFV pricing or unfair competition from the subject imports. On the contrary, the record clearly indicates that the changes were made by De La Rue US and its British parent in an attempt to ***.²⁷

In this regard, the record clearly indicates that the sole reason that the industry's production levels declined was that aggregate domestic production of desktop note counters declined by *** percent during the period from 1997 to 1999. The record also indicates, moreover, that De La Rue US was responsible for this entire decline in the industry's production of counters from 1997 to 1999, as De La Rue's production of counters dropped by nearly *** percent from 1997 to 1999.²⁸ Petitioner's production of desktop note counters, on the other hand, increased by more than *** percent between 1997 and 1999, enabling it to increase its share of the counter market from *** percent in 1997 to *** percent in 1999.²⁹ Similarly, although De La Rue's production of scanners declined during the period of investigation, petitioner's production and shipments of desktop note scanners increased substantially during the period of investigation.³⁰ I note that De La Rue US opposes the antidumping petition and has indicated that it is not being materially injured by the subject imports.³¹

Fourth, there is only a limited level of substitutability between the subject imports of counters and scanners and the domestic merchandise. In this regard, I find that the overall level of substitutability between the subject imports from China and Korea and the domestic merchandise is significantly limited by the fact that the subject producers in these countries exported no desktop note scanners to the United States during the period of investigation.³² Moreover, although the record indicates that there is some level at which the subject imports from all three countries are reasonably interchangeable with the domestic merchandise, the record also establishes that the level of substitutability is limited by

²² CR and PR at Table C-3.

²³ CR & PR at Tables IV-3 - IV-4. Apparent consumption of counters was *** percent higher in the first quarter of 2000 compared to the first quarter of 1999. *Id.*

²⁴ CR & PR Tables IV-4.

²⁵ CR & PR at Table C-3. In this regard, I note that capacity figures may be somewhat unreliable because of the manner in which counters and scanners are produced. CR at III-4, PR at III-2.

²⁶ CR and PR at C-3.

²⁷ CR and PR at III-1-III-5, PR at III-1-III-2.

²⁸ CR at Table C-1 & III-3, PR at Table C-1 & III-2.

²⁹ CR at III-3, PR at III-3.

³⁰ CR at III-3-III-5, PR at III-2.

³¹ De La Rue's Post Conference Brief at 2.

³² CR and PR at Table IV-4.

differences in quality, product range, service and technical support.³³ As a result of these differences, the large majority of responding importers reported that non-price differences were frequently a factor in their sales of subject counters and scanners,³⁴ which indicates that the market for counters and scanners is not particularly price sensitive.

Finally, non-subject imports of counters and scanners, primarily from Japan, occupy a substantial portion of the U.S. market.³⁵ In 1999, imports of desktop note counters and scanners from Japan accounted for *** percent of total imports in 1999³⁶ and *** of the total U.S. market. The record indicates that Japanese imports compete directly in the higher-end scanner and counter market, and are frequently interchangeable with domestically produced machines.³⁷

B. Volume

Section 771(7)(C)(i) of the Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”³⁸

In light of the conditions of competition I discussed above, I find that the volume of the subject imports is not significant. In doing so, I recognize that the volume of the subject imports increased substantially on an absolute level and in market share terms during the period of investigation. In absolute terms, for example, the volume of the subject imports grew by nearly *** percent during the period of investigation, increasing from *** units in 1997 *** units in 1998 to *** units in 1999.³⁹ The volume of the subject imports continued to grow in 2000, increasing to *** units in interim 2000 from *** units in interim 1999.⁴⁰ In terms of market share, the volume of the subject imports also grew substantially during of investigation, increasing from *** percent in 1997 to *** percent in 1999, and then to *** percent in interim 2000.⁴¹

Nonetheless, while these quantity and market share increases might appear substantial in the abstract, the record of these investigations clearly establishes that they are not particularly significant given conditions of competition in this market. In this regard, I note that petitioner has been able to increase its production and shipment levels for both desktop note counters and scanners during the period from 1997 to 1999, despite the substantial increases in the volume of the subject imports.⁴² Similarly, petitioner has been able to increase its market share during the period of investigation.⁴³ Moreover, while it is true that De La Rue US’s production, shipment levels and market shares have declined considerably during the period of investigation, De La Rue opposes the petition and itself reports that it has not been affected by the increased volumes. Given these two considerations, the record is clear that

³³ CR at II-9, PR at II-5.

³⁴ CR at II-9, PR at II-5.

³⁵ ***. CR at IV-1 fn 1; PR at IV-1, n.1.

³⁶ CR & PR at Table C-1 - C-2.

³⁷ CR at II-10; PR at II-7.

³⁸ 19 U.S.C. § 1677(7)(C)(i).

³⁹ CR and PR at Table C-3.

⁴⁰ CR & PR at Table C-3.

⁴¹ CR & PR at Table C-3.

⁴² CR and PR at Table C-4 & C-5.

⁴³ Petitioner’s market share increased from *** percent in 1997 to *** percent in 1999. CR and PR at Table C-6.

there is no reasonable indication that increases in subject import volumes have had any adverse impact on the production, shipment or sales levels of the domestic industry.

C. Price Effects of the Subject Imports

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

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

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.⁴⁴

I find that the record of this investigation clearly and convincingly establishes that the cumulated subject imports have had no impact on domestic prices during the period of investigation. In this regard, I note that the price comparison data in these investigations indicate that subject imports of desktop note counters undersold the domestic merchandise in nearly two-thirds of possible price comparisons, often by considerable margins, during the period of investigation. The record also indicates that the subject imports of desktop note scanners generally oversold the domestically produced scanners in most quarterly price comparisons.⁴⁵ Nonetheless, when I review the price comparison data, I find no evidence that the underselling or overselling by the subject imports has had a depressing or suppressing effect on domestic prices.

In this regard, the Commission's price comparison data for two desktop note counter products indicates that, despite reasonably consistent and substantial underselling by the subject imports, the domestic prices of these products generally remained stable or increased slightly throughout the period of investigation.⁴⁶ For example, petitioner's prices for product 1, which sell at substantially higher volumes than product 2, remained stable from the third quarter of 1997 through the end of the POI.⁴⁷ Similarly, De La Rue's prices for product 1 remained relatively stable throughout the POI, and even evidenced a somewhat higher price level in 1999 than 1997. Moreover, petitioner's prices for product 2 remained stable throughout most of the POI before declining a modest *** percent in the last 3 quarters of the POI.⁴⁸ De La Rue's prices for product 2, on the other hand, actually increased somewhat during the POI. This record data clearly indicates that the subject counter imports have had little or no impact on domestic counter prices.

Similarly, the price comparison data establish that the subject scanner imports have had no significant price effect on the prices of domestic scanners during the period of investigation. First, the record indicates, as I stated above, that the subject scanner imports from the United Kingdom oversold the domestic merchandise by substantial amounts during the period of investigation.⁴⁹ Moreover, the domestic industry's prices for the two scanner comparison products actually increased or remained stable during the period of investigation. For example, petitioner's price for product 3 increased from \$*** per unit in the first quarter of 1997 to \$*** in the first quarter of 2000. Petitioner's price product 4 remained

⁴⁴ 19 U.S.C. § 1677(7)(C)(ii).

⁴⁵ See CR & PR at Tables V1 - V-9.

⁴⁶ CR and PR at Tables V-1-V-7 & Figures V-2-V-9.

⁴⁷ CR & PR at Table V-1.

⁴⁸ CR & PR at Table V-5.

⁴⁹ CR and PR at Table V-8-9 & Figure V-10-13.

relatively stable throughout the POI, beginning the first quarter of 1997 at \$*** per unit and ending the first quarter of 2000 at \$***.⁵⁰ Similarly, De La Rue's price for comparison product 3 remained stable during the period while its prices for comparison product 4 increased somewhat during the period.⁵¹ In light of the overselling by subject imports with respect to these products and their minimal impact on domestic prices, I find that the record also establishes that the imports have not had a price-depressing or suppressing effect on domestic scanner prices.

My conclusion in this regard is supported by the fact that the industry's average unit values for its domestic shipments actually increased by nearly *** percent during the period from 1997 to 1999, at the same time that its cost of goods sold as a percentage of net sales was decreasing.⁵² More specifically, the domestic industry's average unit values for its domestic shipments increased from \$*** in 1997 to \$*** in 1999, while its average unit values for all of its sales increased from \$*** in 1997 to \$*** in 1999.⁵³ At the same time that the industry's unit values were increasing, its ratio of costs of goods sold to net sales of counters declined from *** to *** percent during the period of investigation.⁵⁴ As a result of these trends, the industry has enjoyed increasing profitability levels during the period of investigation, with its operating income as a percentage of sales revenues increasing from *** percent in 1997 to *** percent in 1998 and then to *** percent in 1999.⁵⁵ Moreover, the industry's operating income level in interim 2000 is above its overall full year level for 1999 as well. Given the foregoing, the record clearly establishes that the subject imports are not having a depressing or suppressing effect on domestic prices or profitability at all.

Accordingly, I find that the subject imports have not adversely affected domestic prices to a significant degree.

D. Impact

In examining the impact of the subject imports on the domestic industry, I considered all relevant economic factors that bear on the state of the industry in the United States.⁵⁶ These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."^{57 58}

⁵⁰ CR & PR at Table V-9.

⁵¹ CR and PR at Tables V-8-9 & Figures V-10-13.

⁵² CR and PR at Table C-3.

⁵³ CR and PR at Table C-3.

⁵⁴ CR & PR at Table VI-2.

⁵⁵ CR and PR at Table C-3.

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

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

⁵⁸ The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii) (V). In its notice of initiation, Commerce stated that the estimated dumping margins were between 0.78 and 95.29 percent. 64 Fed. 27

(continued...)

I find that the record of these investigations clearly and convincingly establishes that the subject imports have not had a significant adverse impact on the domestic industry. Although subject imports increased during the period of investigation and generally undersold domestic merchandise, the domestic industry as a whole registered strong and improving financial performance throughout the period of investigation. First, and perhaps most importantly, the industry's profitability levels have been high and increasing over the period of investigation, with its operating income as a percentage of sales revenues increasing from *** percent in 1997 to *** percent in 1998 and then to *** percent in 1999.⁵⁹ The industry's operating income levels have increased during interim 2000 over its full year 1999 levels as well.⁶⁰ Moreover, although (on an absolute level) the industry's gross profits and operating income levels have declined during the period, *** of this decline is attributable to De La Rue's decision to ***.⁶¹ In this regard, I note that, on an absolute level, petitioner's gross profits levels increased by *** percent during the period from 1997 to 1999 and that its operating income levels increased by *** percent over the same period.⁶² Clearly, this is not a picture of a producer that is suffering significantly by reason of the subject imports.

Secondly, I recognize that the record indicates that the industry's overall production, shipments and sales levels have fallen during the period of investigation. In particular, the industry's production of counters and scanners fell from *** units in 1997 to *** units in 1999.⁶³ Similarly, the industry's shipments of counters and scanners fell irregularly from *** units in 1997 to *** units in 1999, while its capacity utilization decreased from *** percent to *** percent from 1997 to 1999.⁶⁴ However, as I also discussed above, these volume declines are directly and solely attributable to the decision of De La Rue to ***, while petitioner's volume levels have remained unaffected by the volume increases of the subject imports. More specifically, petitioner's production volumes actually increased during the period of investigation, growing from *** units in 1997 to *** units in 1999.⁶⁵ Similarly, the petitioner realized its highest capacity utilization levels in 1999, the year in which subject imports reached their highest level and was able to increase its shipments of counters and scanners considerably during the period, from *** units in 1997 to *** units in 1999.⁶⁶

Finally, petitioner contends that the subject imports were impeding the domestic industry from making necessary capital and R&D expenditures in an industry that requires substantial investment in R&D in order to remain competitive. I find that the record does not support this contention. The industry's capital and R&D expenditures remained essentially stable throughout the period of investigation, despite the increase in import volumes. Indeed, the industry's capital and R&D expenditures were at their highest levels when subject imports volumes were at theirs.⁶⁷ As a percentage of sales revenue, capital expenditures and R&D were up from *** percent in 1997 to *** percent in

⁵⁸ (...continued)

Reg. 66892, 66894 (Nov. 30, 1999).

⁵⁹ CR and PR at Table C-3.

⁶⁰ CR and PR at Table C-3.

⁶¹ In the aggregate, the domestic industry's gross profits fell from \$[[30.1]] million in 1997 to \$[[25.8]] million in 1998 and \$[[22.3]] million in 1999. Further, the domestic industry's operating income likewise fell from \$[[7.1]] million in 1997 to \$[[7.0]] million in 1998 and \$[[6.9]] million in 1999.

⁶² CR and PR at Table C-5.

⁶³ CR & PR at Table C-3.

⁶⁴ CR & PR at Table C-3.

⁶⁵ CR & PR at Table C-6.

⁶⁶ CR & PR at Table C-6.

⁶⁷ CR & PR at Table VI-5.

1999. In fact, petitioner reported that its capital expenditures grew almost threefold, rising from *** in 1997 to \$*** million in 1999 and that its R&D expenses increased from \$*** million in 1997 to \$*** million in 1999.

Thus, most performance measures indicate that the industry is performing well.⁶⁸ The industry, which is concentrated in the production of higher-valued machines, also was successful in raising its prices over the period of investigation. As the increase in net sales values outpaced the increase in unit costs, the industry's financial performance, which was strong at the beginning of the period of investigation, improved. Accordingly, I find that there is no reasonable indication that an industry in the United States is materially injured by reason of imports of desktop note counters and scanners from China, Korea and the United Kingdom that are allegedly sold in the United States at less than fair value.

VI. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

A. Cumulation for Purposes of Analyzing the Threat of Material Injury

Under section 771(7)(H) of the Act,⁶⁹ the Commission has the discretion to cumulate subject imports if the imports compete with one another and the domestic industry. As is discussed in the Commission's views (which I join), the record indicates that there is a reasonable, although limited, degree of competition among the subject imports and the domestic industry. Accordingly, I exercise my discretion to cumulate imports from China, Korea, and the U.K. for purposes of assessing whether there is a reasonable indication of threat of material injury.

B. Statutory Factors

Section 771(7)(F) of the Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."⁷⁰ The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole."⁷¹ In making my determination, I have considered all factors that are relevant to this investigation.⁷² Based on an evaluation of the relevant statutory factors, I find that there is no reasonable indication that an industry in the United States is threatened with material injury by reason of imports of desktop note counters and desktop note scanners from China, Korea, and the United Kingdom that are allegedly sold in the United States at less than fair value.

As an initial matter, I find that the domestic industry is not vulnerable to any possible impact from the subject imports during the imminent future. As I discussed above, the industry has been very profitable during the period of investigation and its profits have increased throughout the period.

⁶⁸ The interim data suggest this profitability has continued. CR & PR at Table VI-2.

⁶⁹ 19 U.S.C. § 1677(7)(H).

⁷⁰ 19 U.S.C. §§ 1673b(a) and 1677(7)(F)(ii).

⁷¹ 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallwerken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int'l Trade 1984). See also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992), citing H.R. Rep. No. 98-1156 at 174 (1984).

⁷² 19 U.S.C. § 1677(7)(F)(I). Factor I regarding countervailable subsidies and Factor VII regarding raw and processed agriculture products are inapplicable to the product at issue. See 19 U.S.C. § 1677(7)(F)(I)(I) and (VII).

Moreover, although the industry's production, shipment and market share levels have declined during the period, these declines are attributable exclusively to changes in the operations of De La Rue US, who insists that these declines are not the result of subject import competition. In this regard, the record clearly establishes that the petitioner, the only other current domestic producer of counters and scanners, has seen its production, shipments and sales volume as well as market share increase throughout the period.

First, I do not find that the existing unused production capacity or imminent increases in production capacity in the subject countries indicate that there is a likelihood of substantially increased imports from these countries into the United States in the imminent future. In this regard, the record indicates that there is little likelihood that producers in China, Korea, or the United Kingdom will use their production facilities to increase their exports of scanners to the United States during the imminent future. The Korean producers report that they have no current capacity to produce scanners and will add only a minimal amount of capacity by the end of 2001.⁷³ The Chinese producers report that they have more substantial volumes of scanner capacity than the Korean producers but have not used any of this capacity to ship scanner products to the United States.⁷⁴ Finally, the British producer also had available scanner capacity during the period of investigation and used this capacity to increase their scanner exports to the United States in 1998 and 1999.⁷⁵ However, as I have previously discussed, De La Rue has announced that it will move scanner production operations back to the United States in September 2000 and projects that it will export no more scanners to the United States from the United Kingdom. Given the foregoing, I find that it is unlikely that the subject producers will use any of their available capacity to ship additional scanners to the United States. On the contrary, I find that the resumption of scanner production operations by De La Rue in the United States is likely to result in a significant decrease in scanner imports in the imminent future.

With respect to counters, I also find that the subject producers are unlikely to use their available capacity or expected capacity increases to significantly increase their counter exports to the United States. In this regard, the record indicates that the producers of counters in the three subject countries have been operating at reasonably high capacity utilization rates during the period of investigation, and that they expect to operate at higher capacity utilization rates in 2000 and 2001, with little or no increase in their exports to the United States.⁷⁶ Although the Chinese have been operating at somewhat lower capacity utilization rates than the Korean and British producers and although their utilization rates have declined during the period,⁷⁷ the Chinese producers' export levels to the United States have declined during the period,⁷⁸ which indicates that these producers are unlikely to ship additional counters to the United States in the future because of these capacity utilization declines. Moreover, the producers in all three subject countries ship the large bulk of their export production to third country markets, not the United States.⁷⁹ All of these considerations indicate that the subject producers are unlikely to significantly increase their U.S. export volumes above their current levels.

Second, although there has been a substantial increase in the volume and market share of the subject imports during the period of investigation, I do not find that this increase indicates that there is a substantial likelihood of increased imports. As I discussed above, the increase in the volume of the subject imports during the period had little adverse effect on the domestic industry's volume levels. I do not find that conditions of competition will change so significantly in this market that imports will be

⁷³ CR and PR at Table VII-4.

⁷⁴ CR and PR at Table VII-2.

⁷⁵ CR and PR at Table VII-6.

⁷⁶ CR and PR at Tables VII-1, VII-3, & VII-5.

⁷⁷ CR and PR at Tables VII-1, VII-3, & VII-5.

⁷⁸ CR and PR at Table VII-1.

⁷⁹ CR and PR at Tables VII-1, VII-3, & VII-5.

likely to increase in a manner that will have a significant impact on the industry in the imminent future. Moreover, the record indicates that De La Rue has announced that it will shift scanner operations back to the United States in September 2000. Given this, I find it likely that De La Rue will shift a significant volume of scanner sales from its United Kingdom operations to its U.S. production facility, which will act to limit the volume of subject merchandise shipped by subject producers to the United States in the imminent future..

Third, I also find that it is unlikely that there will be a significant degree of product shifting in China, Korea or the United Kingdom. The record indicates that the equipment currently used to make subject counters and scanners in China, Korea and the United Kingdom is not used to produce any other product.

Fourth, I have considered the fact that U.S. importers' inventories of the subject imports increased at the end of the investigation period. However, I do not find that these inventory increases indicate a likelihood of substantial increases in future imports volumes, given that the ratio of inventories to both shipments and to imports have generally remained at their historical levels.⁸⁰

Fifth, I do not find that imports of the subject merchandise are likely to enter the U.S. market at prices that are likely to depress or suppress domestic prices to a significant degree. As noted above, despite underselling by domestic products during the period of investigation, subject imports neither suppressed nor depressed U.S. prices to a significant degree. I find that the record contains little evidence indicating that competitive conditions in the market will change to the point that subject imports would have such an effect in the imminent future.

Moreover, both capital expenditures and research and development expenditures remained strong or increased over the investigation period, despite the increases in import volumes. I find that this suggests that imports are unlikely to have any negative effect on development and production efforts of the domestic industry.⁸¹

Based on these factors, I determine that significantly increasing volumes of subject imports are not imminent and that material injury will not occur in the absence of antidumping duty orders. Therefore, I find that the domestic industry producing desktop note counters and desktop note scanners is not threatened with material injury by reason of subject imports from China, Korea and the United Kingdom.

CONCLUSION

For the reasons stated above, I determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of desktop note counters and desktop note scanners that are allegedly sold in the United States at less than fair value.

⁸⁰ CR & PR at Table C-3.

⁸¹ CR & PR at Table VI-5.

SEPARATE AND DISSENTING VIEWS OF COMMISSIONER LYNN M. BRAGG

*Desktop Note Counters and Scanners from China, Korea, and the United Kingdom
Inv. Nos. 731-TA-855-887 (Preliminary)*

Based upon the limited record in this preliminary phase of these investigations, I find that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of desktop note counters and scanners (“counters and scanners”) from China, Korea, and the United Kingdom, that are allegedly sold in the United States at less than fair value (“LTFV”). I also find that there is no reasonable indication that an industry in the United States is materially injured by reason of subject imports of desktop note counters and scanners from China, Korea, and the United Kingdom, that are allegedly sold in the United States at LTFV.

For purposes of discussion, I have joined all of my colleagues with respect to the definitions of the domestic like product and domestic industry, as well as the discussion of cumulation in the context of present material injury.

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 determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.¹ 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.”²

In this context, although the limited record in this preliminary phase of these investigations appears to support a finding that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of subject imports, based upon the limited record at this stage of the proceedings and the questions raised by that record, I am unable to affirmatively state that in the context of a threat of material injury analysis there is no likelihood that contrary evidence will arise in any final phase investigations.³ Accordingly, I render affirmative threat determinations in these preliminary investigations.

Importantly, I find that there are several outcome determinative issues which, in my view, are not resolved at this stage of the proceedings, and are of particular relevance to my preliminary threat determinations. For example, while the limited record at this phase appears to indicate that there is one like product, including both counters and scanners, the issue appears to be a close call and the record

¹ 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-1004 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354 (1996).

² American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

³ I also point out that, even recognizing the important questions raised by the record, I am satisfied that there is no likelihood that contrary evidence would arise in any final investigations with respect to my negative present material injury findings.

does not foreclose a possibly different conclusion. In particular, I note that there is limited information regarding purchasers' perceptions as to whether counters and scanners are one like product. In addition, the limited pricing data collected thus far indicate that scanners are sold at prices substantially higher than even high-end counters, thus raising a question as to whether there is a clear dividing line between these products. I expect that a final phase investigation would provide the opportunity to more fully address these issues, in part through the collection of purchasers' perceptions as to whether or not counters and scanners are part of the same family of products. I note that a finding of two like products may affect the determinations by the Commission, whether preliminary or final, since there may be different determinations for each of the products if considered separately.

Other important issues which are best resolved pending the compilation of additional data are the impact on the domestic industry of imports of subject merchandise by domestic producer De La Rue U.S. and whether De La Rue U.S. should be excluded from the domestic industry as a related party. The potential impact of this exclusion, in my view, may affect the outcome of any final determinations since the exclusion significantly alters the data regarding domestic industry performance. Also, it is unknown at this early stage of the investigations what impact, if any, De La Rue U.S.'s imminent return to U.S. scanner production may have on the domestic industry's profitability, if the volume of subject imports continues to increase as appears evident.

In conclusion, I am satisfied that based upon the outcome determinative nature of these unresolved issues and the apparent limited factual record at this stage of the proceedings, final phase investigations will provide the Commission with the opportunity to hear first-hand from the parties and purchasers, resulting in the development a more complete factual record.

II. RELATED PARTIES

As noted above, there is one related-party issue to consider in these investigations, i.e. whether De La Rue U.S. should be excluded from the domestic industry based upon its corporate relationship with a subject foreign producer and De La Rue U.S.'s substantial imports of subject merchandise.

De La Rue U.S. is a *** of De La Rue, PLC, a foreign producer and exporter of the subject merchandise from the United Kingdom, which directly or indirectly controls De La Rue U.S.⁴ In addition, during the period of investigation ("POI"), De La Rue U.S. imported measurable volumes of subject imports from Korea and the United Kingdom.⁵ The limited record therefore indicates that De La Rue U.S. is a related party.

However, while De La Rue U.S. did import subject counters and scanners during the POI, the limited record nonetheless indicates a clear possibility that De La Rue U.S.'s primary interests lie in domestic production. De La Rue U.S.'s domestic production of both counters and scanners totaled *** units in 1997, *** units in 1998, *** units in 1999, and *** units in interim 1999.⁶ In contrast, its imports of subject merchandise totaled *** units in 1997, *** units in 1998, *** units in 1999, and *** units in interim 2000.⁷ The limited record therefore indicates that although the volume of De La Rue U.S.'s subject imports increased steadily over the POI, coinciding with a related decrease in shipments of domestic production, domestic production accounted for a larger share of De La Rue U.S.'s shipments

⁴ De La Rue Br. at 1. See, e.g., CR at III-2 and III-3 n.8.

⁵ De La Rue U.S. Questionnaire Response.

⁶ De La Rue U.S. Questionnaire Response.

⁷ De La Rue U.S. Questionnaire Response.

throughout the POI than did its subject imports.⁸ In addition, the limited record indicates that in September 2000 De La Rue U.S. will resume scanner production in the United States and cease importing subject scanners from the United Kingdom.⁹

Based upon the foregoing, I determine that appropriate circumstances do not exist to exclude De La Rue U.S. from the domestic industry as a related party in this preliminary phase. I have therefore included De La Rue U.S. in my analysis of injury to the domestic industry.

III. NO REASONABLE INDICATION OF PRESENT MATERIAL INJURY

For the reasons discussed below, I determine that there is no reasonable indication that the domestic industry is materially injured by reason of subject imports from China, Korea, and the United Kingdom that are allegedly sold in the United States at less than fair value.

While both the volume of subject imports and their share of the U.S. market increased steadily over the POI, subject imports have not yet had a significant negative effect on prices for the domestic like product or resulted in a significant adverse impact on the domestic industry. There is therefore no reasonable indication that the domestic industry is materially injured by reason of subject imports and no likelihood exists that contrary evidence will arise in any final phase investigation.

A. VOLUME

Growth in apparent consumption of counters was modest from 1997 to 1999, *** percent, although it did jump in the first quarter of 2000 by *** percent as between the interim periods.¹⁰ The market for scanners, however, saw a dramatic increase in apparent consumption over the POI, by *** percent from 1997 to 1999.¹¹ Combined, apparent consumption for counters and scanners increased by *** percent from 1997 to 1999, and by *** as between interim 1999 and interim 2000.¹²

In 1999, imports of non-subject Japanese counters accounted for *** percent of total imports of counters.¹³ That same year, Japanese scanners accounted for *** percent of total imports of scanners. Combined, Japanese counters and scanners accounted for *** percent of total imports in 1999.¹⁴

The volume of subject imports increased steadily over the POI. On a cumulated basis, subject imports increased from *** units in 1997 to *** units in 1999.¹⁵ As between the interim periods, subject imports increased from *** units in interim 1999 to *** units in interim 2000.¹⁶ In contrast, domestic producers' total U.S. shipments decreased from *** units in 1997 to *** units in 1999.¹⁷ As between the

⁸ CR & PR at Table C-3; CR & PR at Table C-6.

⁹ CR at III-2, PR at III-2.

¹⁰ CR & PR at Table C-1.

¹¹ CR & PR at Table C-2.

¹² CR & PR at Table C-3.

¹³ CR & PR at Table C-1.

¹⁴ CR & PR at Table C-3.

¹⁵ CR & PR at Table C-3.

¹⁶ CR & PR at Table C-3.

¹⁷ CR & PR at Table C-3.

interim periods, domestic shipments declined from *** units in interim 1999 to *** units in interim 2000.¹⁸

Subject imports' U.S. market share, on a quantity basis, also increased significantly over the POI, from *** percent in 1997 to *** percent in 1999.¹⁹ As between the interim periods, subject imports' U.S. market share increased from *** percent in interim 1999 to *** percent in interim 2000.²⁰ In contrast, domestic producers' share of U.S. apparent consumption, on a quantity basis, declined from *** percent in 1997 to *** percent in 1999.²¹ As between the interim periods, domestic producers' market share declined from *** percent to *** percent.²²

The volume of non-subject imports also increased steadily over the POI, from *** units in 1997 to *** units in 1999.²³ As between the interim periods, the volume of non-subject imports increased from *** units in interim 1999 to *** units in interim 2000.²⁴ However, while the volume of non-subject imports increased, non-subject imports' share of the U.S. market remained relatively steady over the POI, at *** percent in 1997 and *** percent in 1999.²⁵ As between the interim periods, non-subject imports' U.S. market share increased from *** percent in interim 1999 to *** percent in interim 2000.²⁶

The limited record also indicates that most of the decline in domestic shipments over the POI was attributable to a decline in shipments by De La Rue U.S., which dropped by *** percent from 1997 to 1999; at the same time, Cummins-Allison Corp. ("CA") increased its domestic counter shipments by *** percent over the POI.²⁷ In contrast, domestic producers' U.S. shipments of scanners grew by *** percent from 1997 to 1999, before falling by *** percent as between the interim periods.²⁸ Nonetheless, the limited record evidence indicates that the domestic industry as a whole, encompassing production of both counters and scanners, lost U.S. market share as subject imports gained market share, while non-subject imports' U.S. market share was relatively unchanged. While the volume of subject imports may be significant when viewed in isolation, in the context of the instant investigations, the volume of subject imports does not appear significant in an assessment of a reasonable indication of present material injury, as elaborated upon below.

¹⁸ CR & PR at Table C-3.

¹⁹ CR & PR at Table C-3.

²⁰ CR & PR at Table C-3.

²¹ CR & PR at Table C-3.

²² CR & PR at Table C-3.

²³ CR & PR at Table C-3.

²⁴ CR & PR at Table C-3.

²⁵ CR & PR at Table C-3.

²⁶ CR & PR at Table C-3.

²⁷ De La Rue U.S. Questionnaire Response; Cummins-Allison Questionnaire Response. De La Rue U.S.'s decline in domestic production and domestic shipments was partially the result of consolidation after De La Rue U.S. purchased domestic producer Brandt in 1995, and partially the result of De La Rue U.S.'s increased imports of subject counters and scanners. See CR at III-2 and De La Rue U.S. Questionnaire Response.

²⁸ CR & PR at Table C-2.

B. PRICE EFFECTS OF THE SUBJECT IMPORTS

Although there is considerable pricing data in these investigations, product mix differences make meaningful direct comparisons between subject imports and the domestic like product nearly impossible.²⁹ Nonetheless, the pricing data do provide a sufficiently reliable indicator of general pricing trends over the POI when analyzed on a company by company and product by product basis.

Importantly, such trends present a mixed picture for the two largest domestic producers, CA and De La Rue U.S. The trends indicate that while CA's prices for counters declined somewhat over the POI, its prices for scanners increased.³⁰ With respect to De La Rue U.S., its pricing trends indicate that the prices De La Rue U.S. received for its counters increased over the POI.³¹ And while De La Rue U.S. stopped producing scanners in 1998, the prices it received for these products were rising up to the time production ceased.³²

With respect to subject imports, prices for both counters and scanners generally declined modestly over the POI.³³ Importantly, subject imports of counters consistently undersold the domestic like product by considerable margins.³⁴ However, because there were no significant declines in prices for either subject imports or the domestic like product over the POI, any causal connection between margins of underselling and negative price effects is not apparent from the limited record. With respect to scanners, subject imports consistently oversold the domestic like product.³⁵

Accordingly, I find that subject imports are not having significant negative price effects in the U.S. market.

C. IMPACT

The indicia of the health of the domestic industry indicate that the domestic industry is relatively healthy. For example, over the POI, domestic industry operating margins improved from *** percent in 1997 to *** percent in 1999.³⁶ However, as between the interim periods, operating margins did decline modestly from *** percent in interim 1999 to *** percent in interim 2000.³⁷

In addition, consistent with my above finding of no significant price effects, the limited record provides no basis upon which to find that subject imports had a significant adverse impact on the domestic industry. In the absence of any volume or pricing data which evidence some causal connection between subject imports and an alleged declining condition of the domestic injury, the limited record does not support a finding of a reasonable indication of present material injury.

²⁹ Although I find that there is no likelihood that contrary evidence will arise in any final investigations regarding my negative present material injury determinations, I recognize that the questions regarding the quality and comparability of pricing data warrant further investigation in the context of my reasonable indication of threat of material injury analysis.

³⁰ CR & PR at Tables V-1-V-7.

³¹ CR & PR at Tables V-1-V-7.

³² CR & PR at Tables V-8-V-9.

³³ CR & PR at Tables V-1-V-9.

³⁴ CR & PR at Tables V-1-V-7.

³⁵ CR & PR at Tables V-8-V-9.

³⁶ CR & PR at Table C-3.

³⁷ CR & PR at Table C-3.

Accordingly, and based upon all of the foregoing, I find that there is no reasonable indication that the domestic industry is materially injured by reason of subject imports and no likelihood exists that contrary evidence will arise in any final phase investigations. I note in this regard, recognizing the unresolved issues discussed earlier, that I would have reached the same conclusion had I found two like products and/or excluded De La Rue U.S. from the domestic industry.

IV. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS FROM CHINA, KOREA, AND THE UNITED KINGDOM

A. CUMULATION FOR PURPOSES OF THREAT ANALYSIS

Cumulation in the context of the Commission's threat analysis is provided for in Section 771(7)(H) of the Act. This provision leaves to the Commission's discretion cumulation of imports in analyzing threat of material injury. In evaluating cumulation for purposes of the threat of material injury I am mindful of the Commission's analysis justifying cumulation of subject imports for purposes of assessing present material injury.

In these investigations, and as discussed in detail in the Commission majority's present material injury cumulation discussion, the limited record indicates that subject imports appear to be moderately interchangeable with the domestic like product and each other. The limited record also indicates that there is a geographic overlap in sales between subject imports and the domestic like product³⁸ and subject imports from all three countries were simultaneously present in the U.S. market.³⁹ Finally, the limited record indicates that there are similarities in channels of distribution between the subject imports and the domestic like product.

Accordingly, I find a reasonable overlap of competition among subject imports and between subject imports and the domestic like product. I therefore exercise my discretion to cumulate all subject countries in analyzing threat of material injury in these investigations.

B. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS FROM CHINA, KOREA, AND THE UNITED KINGDOM

While I find no reasonable indication that the domestic industry is presently materially injured by reason of subject imports, the limited record indicates that the steady increase in the volume of subject imports over the POI imminently threatens the domestic industry with material injury. In this context, I again point out that, based on the limited record evidence, I am unable to affirmatively state that in the context of a threat of material injury analysis there is no likelihood that contrary evidence will arise in any final phase investigations. I therefore determine that there is a reasonable indication that the domestic industry is threatened with material injury.

As detailed above, both the volume and U.S. market share of subject imports increased steadily over the POI, particularly with respect to subject imports from Korea, and there is no evidence which indicates that such trends are likely to change in the imminent future. In addition, while there were no imports of scanners from either China or Korea during the POI, both countries do produce scanners.⁴⁰

³⁸ CR at V-2, PR at V-1.

³⁹ CR and PR Table C-6.

⁴⁰ CR & PR at Table C-2.

The record also indicates that counters and scanners are generally produced on the same production lines⁴¹ and the only physical difference between counters and scanners is that scanners include the addition of an electronic sensor and scanning software to the basic counter.⁴²

The limited record also indicates that in 1999, China's counter production capacity was 19,300 units, and its counter capacity utilization rate was 73.2 percent.⁴³ That same year, China's scanner production capacity was *** units, and its scanner capacity utilization rate was *** percent.⁴⁴ The limited record therefore indicates that China has the potential to significantly increase the volume of both its counter and scanner production for export to the United States. As a measure of the significance of Chinese production capacity, total U.S. apparent consumption of both counters and scanners was *** units in 1999.⁴⁵

Also in 1999, Korea's counter production capacity was 23,000 units, and its counter capacity utilization rate was 78.8 percent.⁴⁶ That same year, Korea's scanner production capacity was *** units.⁴⁷ However, as discussed above, the limited record indicates that ***. Therefore, it appears that Korea has the ability to ***. The limited record therefore indicates that Korea has the potential to significantly increase the volume of *** production for export to the United States.

In 1999, the United Kingdom's counter production capacity was *** units, and its counter capacity utilization rate was *** percent.⁴⁸ That same year, the United Kingdom's scanner production capacity was *** units, and its scanner capacity utilization rate was *** percent.⁴⁹ The limited record therefore indicates that the United Kingdom has the potential to significantly increase the volume of both its counter and scanner production for export to the United States.

I also note that importers' inventories of subject merchandise, as between the interim periods, increased from *** units in interim 1999 to *** units in interim 2000.⁵⁰ The ratios of importers' counter inventories to U.S. shipments of imports were *** percent in interim 1999 and *** percent in interim 2000.⁵¹ The ratios of importers' scanner inventories to U.S. shipments of imports were *** percent in interim 1999 and *** percent in interim 2000.⁵² I therefore find that the upward trends in importers' inventories in the interim periods further indicate a threat of material injury by reason of subject imports.

In addition, although subject imports did not have significant negative price effects in the U.S. market over the POI, I find that if the trend of increasing subject imports continues, as appears evident, there will be an oversupply in the U.S. market, resulting in measurable price declines in the imminent future.

⁴¹ CR at I-5, PR at I-3.

⁴² CR at I-6-I-7, PR at I-5-I-6.

⁴³ CR & PR at Tables VII-1-VII-2.

⁴⁴ CR & PR at Table VII-2.

⁴⁵ CR & PR at Table C-3.

⁴⁶ CR & PR at Table VII-3.

⁴⁷ CR & PR at Table VII-4.

⁴⁸ CR & PR at Table VII-5.

⁴⁹ CR & PR at Table VII-6.

⁵⁰ CR & PR at Table C-3.

⁵¹ CR & PR at Tables VII-7-VII-8.

⁵² CR & PR at Tables VII-7-VII-8.

I also find that while the domestic industry was able to offset its declines in profitability in the counter segment of its production by large gains in the scanner segment, the increased erosion of counter segment market share (and loss of market share in the scanner segment if Chinese and Korean producers begin to import scanners into the United States) would likely adversely impact the domestic industry's performance in the imminent future. Additionally, the deterioration of the domestic industry's performance trends during the most recent period, which coincided with an upward trend in the volume of subject imports, indicates possible imminent difficulties, and therefore supports a finding of a reasonable indication of the threat of material injury by reason of subject imports.

Therefore, based on the limited record in this preliminary phase of the investigations, I find that there is a reasonable indication that domestic producers are threatened with material injury by reason of subject imports from China, Korea, and the United Kingdom.

V. CONCLUSION

Based upon the foregoing analysis, I determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of subject imports of desktop note counters and scanners from China, Korea, and the United Kingdom.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed by C-A, Mt. Prospect, IL, on July 17, 2000, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of desktop note counters (“counters”) and desktop note scanners¹ (“scanners”) from China, Korea, and the United Kingdom. Information relating to the background of the investigations is provided below.²

<i>Date</i>	<i>Action</i>
July 17, 2000	Petition filed with Commerce and the Commission; ³ institution of Commission investigations (65 FR 45800, July 25, 2000)
August 7, 2000	Commission’s conference ⁴
August 11, 2000	Commerce’s notice of initiation (65 FR 49224)
August 30, 2000	Commission’s votes
September 8, 2000	Commission determinations transmitted to Commerce

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C. Table C-1 presents data on counters; table C-2 presents data on scanners; and table C-3 presents data on counters and scanners combined. Except as noted, U.S. industry data are based on questionnaire responses of two firms that accounted for *** percent of U.S. production of counters and scanners during 1999. U.S. imports are based on questionnaire responses of 9 firms that account for approximately 95 percent of total U.S. imports of counters and scanners in 1999.⁵

¹ Desktop note counters and scanners are classified in residual (or “basket”) subheading 8472.90.95 of the HTS with a normal trade relations tariff rate of 1.8 percent *ad valorem*, applicable to imports from China, Korea, and the United Kingdom. They are reported under HTS 8472.90.9520 as “coin and currency handling machines.”

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

³ The petition alleged LTFV margins to be as follows: 247.5 percent to 330.2 percent for China; 53.3 percent for Korea; and 39.4 percent to 220.2 percent for the United Kingdom.

⁴ A list of witnesses who appeared at the conference is presented in app. B.

⁵ Consistent with a request from the petitioner to collect data on counters and scanners separately, all data in this report have been compiled separately. Aggregated data are available in table C-3. Petitioner does, however, argue for one domestic like product.

THE PRODUCT

Commerce has defined the scope of these investigations as follows:

The products covered by these investigations are commonly referred to as desktop note counters (“counters”) and desktop note scanners (“scanners”), whether assembled, partially assembled, or unassembled, with or without operation-enabling software loaded. Counters and scanners are document handling machines that employ an electro-mechanical processing mechanism to accurately count currency bills, bank notes, coupons, script, or other value-based paper documents and to stack them in an organized fashion. The processing mechanism typically encompasses a feeder assembly from which the documents are separated and introduced into the machine, a paper path through which the documents are fed, a transport mechanism, a sensing device located along the paper path that counts the documents, and a stacking location (or locations) that accepts the documents after counting and/ or arranging them. Counters and scanners also have an integrated keypad, or keyboard, and a display panel. Both counters and scanners can incorporate a sensor device for detecting suspect (i.e., counterfeit) documents. Scanners have additional sensors, or scanning devices, that enable the machines to distinguish the documents by denomination. Scanners and counters may consist of one or more stacker assemblies to accommodate bill sorting. The counters and scanners subject to these investigations are portable; they typically weigh less than 100 pounds and may be easily moved by hand from one location to another.

Specifically excluded from the scope of these investigations are counters and scanners that are too large to be considered portable, or desktop, which are typically designed for very high volume use in regional and headquarter vaults of commercial banks and central bank vaults. However, the simple attachment of weights, stands, wheels, or similar devices does not, by itself, remove an otherwise portable counter or scanner from the scope of these investigations. Other document and currency handling machines, such as currency wrappers, currency verifiers, bundle counters, coin-handling machines, bill accepting devices used in vending machines, and ATM machines, also are excluded from the scope of these investigations.

Imports of counters and scanners are currently classifiable under subheading 8472.90.9520 of the HTS.

Physical Characteristics and Uses

Counters and scanners are machines designed to count documents, such as currency notes, and provide an operator with the number of documents or notes counted. In the case of scanners, the machines have the ability to denominate currency (e.g., as a one dollar bill, five dollar bill, twenty dollar bill, and so forth) using a scanning device located along each machine’s paper path. A scanner may provide the operator with the total value of a stack of currency and the number of each denomination in the stack of notes in addition to the number of documents scanned. Counters and scanners have an integrated keypad or keyboard and a display panel. Counters and scanners may be equipped with suspect document (i.e., counterfeit) detection capability, either with ultraviolet detection sensors or magnetic ink

sensors or both.⁶ When a counter or scanner encounters a suspect note, the machine will stop so that the suspect note may be removed by the operator, after which time the machine may be restarted. The average life span of a counter or scanner is roughly 5 years.⁷

Counters and scanners typically employ a paper path starting at the top of the machine in a “feeder” area. The machines use friction-type feeders which consist of a set of rubber-coated rolls that feed and separate notes one at a time through the use of materials with different friction characteristics. Notes are fed through a curved guide surface within the machine where sensors may be used to identify attributes of the note.⁸ Notes passed through the machine encounter rotating wheels that accept the notes at high speeds and decelerate them. The notes are then positioned in a vertical stack, or “pocket,” in the front of the machine below the feeding area (see figure I-1).⁹

Currency scanners may have more than one stacker assembly. Multiple stacker assemblies allow the scanners to sort currency by denomination, facing, or other orientation into more than one pocket. Multiple pockets are generally found only on scanners. They are used to separate unrecognizable currencies (such as counterfeit or foreign bills) or to separate certain denominations. C-A indicated that a multi-pocketed machine would be popular in banks looking to separate twenty-dollar bills.¹⁰ C-A pioneered and patented the single-pocket machine. Japanese machines with similar capabilities usually feed counterfeit or non-currency items into a second pocket.¹¹

In their postconference briefs, De La Rue¹² and Magner¹³ provided product comparisons which highlighted differences in durability for counters and scanners. These comparisons indicated that machines may be of low, medium, or heavy durability or use. Counters compete at all three levels of durability but scanners only compete at the higher levels of durability.

Manufacturing Facilities and Production Employees

C-A assembles both counters and scanners on the same line. Both counters and scanners are assembled in the same way and in the same order. The only difference between scanners and counters is that scanners have an additional component attached to one of the circuit boards; otherwise, all the parts are shared. Counters and scanners are assembled in a continuous assembly line as opposed to some of C-A’s coin counters, which are assembled under a ***. All counters and scanners are inspected for quality control at the end of the assembly line and then are boxed and warehoused for future shipment.¹⁴

***¹⁵

⁶ Petition, pp. 7-8.

⁷ USITC fieldwork, Mt. Prospect, IL, July 26, 2000.

⁸ C-A divides sensors into required and optional. Required sensors are those necessary for the machine to perform its basic functions, such as prevention of two notes being feed simultaneously or detection of documents torn in half. Optional sensors include counterfeit detecting sensors and those which denominate bills. (See petitioner’s postconference brief, app. 3).

⁹ Petition, pp. 7-8.

¹⁰ USITC fieldwork, Mt. Prospect, IL, July 26, 2000.

¹¹ Id.

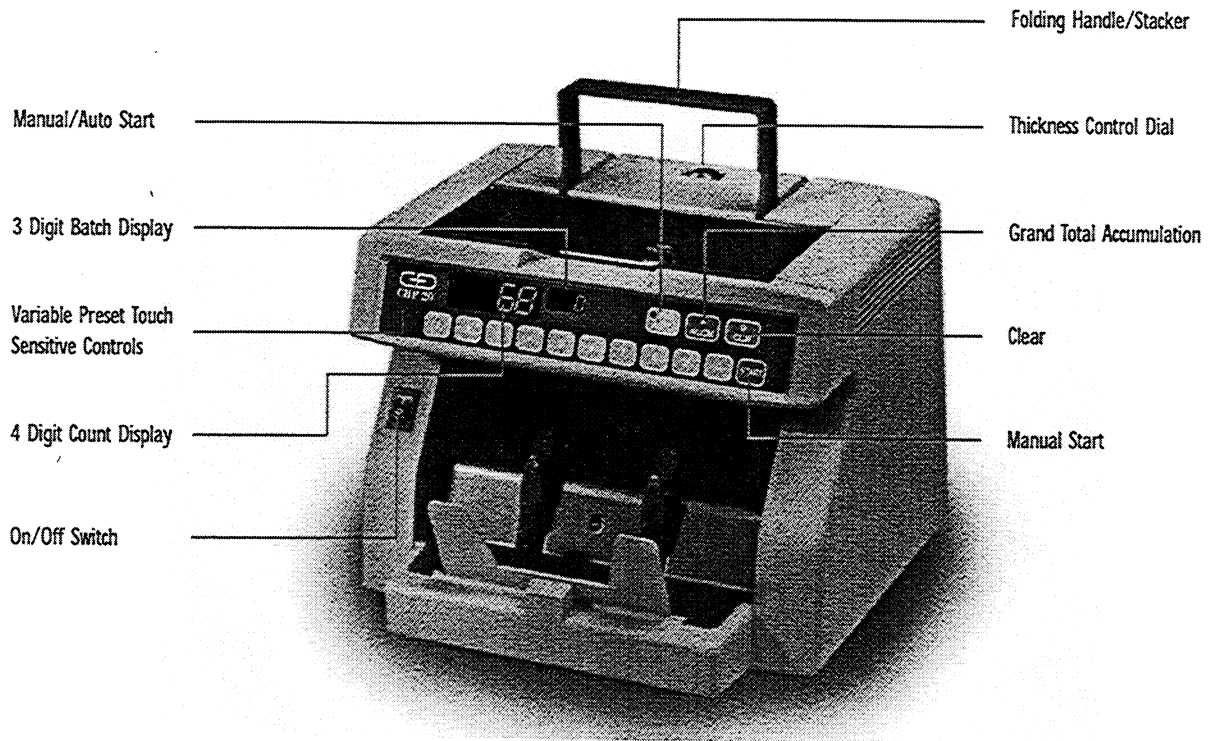
¹² De La Rue’s postconference brief, exhibit 3.

¹³ Magner’s postconference brief, attachment 1.

¹⁴ USITC fieldwork, Mt. Prospect, IL, July 26, 2000.

¹⁵ Id.

Figure I-1: Basic features of a currency counter



Source: Giesecke & Devrient, found at Internet address <http://www.gdm.de>.

R&D is a huge cost in the production of counters and scanners. C-A indicated that it employs roughly 50 people in the engineering department, giving assembly workers and engineers a *** ratio. C-A would like to increase that ratio with the ability to hire new engineers.¹⁶

DI assembles its counters and scanners from the frame up. DI buys the components, such as the frame, molded side covers, and printed circuit boards, rather than making them. Some subassemblies are produced by third parties according to DI specifications and some are bought on the market. About 80 percent of assembly is from the frame up.¹⁷

LIKE PRODUCT ISSUES

This section presents information related to the Commission's "domestic like product" determination.¹⁸ Two like product positions were advanced by the parties: the petitioner and Magner, an importer of the subject merchandise from Korea, argued for one domestic like product; and Scan Coin, an importer of the subject merchandise from China, argued that there should be two like products, counters and scanners. The following discussion summarizes the parties' arguments concerning the like product issue.

Scan Coin argued that counters and scanners should be considered separate like products. Scan Coin posited that scanners have different physical characteristics and uses compared to counters based on scanners' ability to distinguish between different denominations of currency.¹⁹ This feature, along with the additional technology and software available with most scanners, arguably precludes them from being interchangeable with counters. Scan Coin argued that the price ranges between counters and scanners are very different, based on the additional sensors and software. Finally, Scan Coin noted that even within the broad classification of counters and scanners there are many variations of the product, based on durability, the speed at which the machine can operate, size, and the machine's counterfeit detection ability.²⁰

Both the petitioner and Magner asserted that counters and scanners should constitute a single domestic like product. Petitioner argued that, other than the small electronic sensor included internally in scanners for detecting denominations, counters and scanners share virtually the same physical characteristics. Both stated that counters and scanners are interchangeable and are generally used by the same customers. As noted by Magner, counters and scanners are equally serviceable for counting and counterfeit detection purposes.²¹ Both counters and scanners are sold both through distributors and

¹⁶ Petitioner's postconference brief, pp. 24-25. Respondents dispute C-A's claim that a greater engineering staff is necessary to innovate. According to De La Rue, its staff in the United Kingdom operates at a *** ratio, engineers to production workers, and it believes that C-A's desired ratio of engineers to production workers ***, and is already ***. De La Rue's postconference brief, p. 5.

¹⁷ De La Rue's postconference brief, p. 2.

¹⁸ The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price.

¹⁹ Scan Coin's postconference brief, p. 2.

²⁰ Scan Coin's postconference brief, pp. 2-3. Scan Coin did not address customer perceptions, channels of distribution, or manufacturing process in its like product argument.

²¹ Magner's postconference brief, pp. 5-6.

directly to end users.²² Both the petitioner and Magner argued that customers and producers typically perceive counters and scanners as fundamentally the same product filling the same basic functions, that is, counting documents and in some cases, detecting counterfeit currency.²³ Counters and scanners are made on the same assembly lines by the same production workers. Finally, both petitioner and Magner argued that there is no clear dividing line between counter and scanner pricing based on the continuum of product specifications.²⁴

CUMULATION ISSUES

The Commission cumulates subject imports if there is a reasonable overlap of competition among the imports and between the imports and the domestic like product.²⁵ The following summarizes cumulation issues in these investigations.

The petitioner and Magner argued that counters and scanners from all countries should be cumulated for purposes of the injury determinations. Both argued that counters and scanners from China, Korea, and the United Kingdom are fungible and all compete directly with one another and with the domestically-produced products for the same customers in all geographic areas of the United States.²⁶ Counters and scanners from all three countries are said to be sold through common means and channels of distribution, namely through office machine distributors, distributors affiliated with producers, or direct sales, and are sold to common customers. Finally, subject imports from each of the three countries at issue have been simultaneously present in the U.S. market throughout the period of investigation.²⁷ The petitioner did not specifically address cumulation for the Commission's threat analysis. Magner argued that, based on the discussion above on cumulation for the injury analysis and in light of the fact that the petitions were filed on the same day and that there is a reasonable overlap in competition between the imported products and the domestic like product, subject imports should be cumulated for a threat analysis.²⁸

De La Rue, Hedman, and Scan Coin argued against cumulation. In particular, De La Rue argued that imports from the United Kingdom should not be cumulated with imports from China and Korea in light of the product mix from each country. De La Rue noted that most of the U.K. imports during the period of investigation were scanners as compared to the lower end counters being exported by China and Korea.²⁹ Hedman concurred with De La Rue's argument that because the scanner market as well as the high-end counter market are dominated by C-A, De La Rue, and Japanese producers, there is no

²² Petitioner sells its product through its own distribution network directly to end users in the United States and through affiliated and unaffiliated distributors overseas. Petitioner's postconference brief, p. A-13.

²³ Petitioner's postconference brief, p. A-13 and Magner's postconference brief, p. 6.

²⁴ Petitioner's postconference brief, pp. A-13-14 and Magner's postconference brief, p. 7.

²⁵ Factors considered include: (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product; (2) the presence of sales or offers to sell in the same geographic markets; (3) the existence of common or similar channels of distribution; and (4) the simultaneous presence of imports in the marketplace.

²⁶ Petitioner's postconference brief, p. 7 and Magner's postconference brief, pp. 9-12.

²⁷ Petitioner's postconference brief, p. 7 and Magner's postconference brief, p. 13.

²⁸ Magner's postconference brief, pp. 13-14.

²⁹ De La Rue's postconference brief, pp. 6-7.

reasonable overlap between imports from China and Korea and those from the United Kingdom.³⁰ Finally, Scan Coin said that the Commission should not cumulate subject imports because of the lack of competition between the subject imports and the domestic like product based on product variations.³¹ Hedman and Scan Coin also applied these reasons in their argument against cumulation for a threat analysis.³²

³⁰ Hedman's postconference brief, pp. 13-14.

³¹ Scan Coin's postconference brief, p. 16.

³² Hedman's postconference brief, p. 14 and Scan Coin's postconference brief, p. 16.

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

U.S. MARKET SEGMENTS

C-A stated that the counter and scanner market is divided into four rough categories: basic counters, counters with counterfeit detection, basic scanners, and scanners with counterfeit detection. However, C-A said that there is still overlap of demand between each of the four categories, and high prices in one would mean demand shifting to another. Importers were less likely to describe such shifting, and stated that scanner customers would demand scanners, not counters.¹ They described the counter and scanner markets as generally separate, and further divided the counter market by the amount of daily use to which a counter would be subjected. Magner divided the counter market into three segments: low-volume "utility" note counters, basic "workhouse" counters, and "deluxe," high volume counters. Respondents said that high use, "heavy duty" counters would tend to be sold to large customers such as banks and large retailers, while low use, simpler counters would be favored by small volume customers such as small retailers and charities.

Both U.S. producers and four subject importers reported sales in the entire United States. *** stated that it sells to three distributors, but its counters are available nationwide on the internet.

CHANNELS OF DISTRIBUTION

C-A has its own distribution network with 47 offices nationwide. Its counters and scanners are sold exclusively to end users through this network. DI also has its own distribution network and sells directly to end users. However, Hedman, Magner, Scan Coin, and Toyocom sell primarily to distributors. These distributors will usually be responsible for technical support and service, marketing, and local market knowledge. Both C-A and subject importers reported that they thought technical service and support were roughly comparable whether through field offices or separate distributors.²

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Importers stated that C-A's counters are heavy and medium duty counters designed for the high volume end of the market, and that C-A does not produce a simple, low cost and low feature counter. Magner characterized C-A's most basic counter, the JetCount 4020, as a deluxe, high end counter. Most producers and importers offer at least one note counter as well as variations with different types of counterfeit detection. According to Magner, De La Rue, Hedman, Magner, and Scan Coin all offer counters in at least two of the three categories (utility, workhorse, and deluxe). C-A replied that all counters are virtually the same in their basic capabilities, and that purchasers do not focus primarily on any attributes other than price.

Among scanners, C-A is the only domestic producer of single-pocket scanners. DI and De La Rue have ceased sales of single-pocket scanners in the United States, which were 85 percent of U.K.-made scanners being imported to the United States.³ There are sales of double-pocket scanners from Glory, and DI will resume U.S. production of a double-pocket scanner in September 2000.

¹ Conference transcript, pp. 71-73.

² Conversations with ***.

³ Conference transcript, p. 51.

U.S. Capacity Utilization and Inventories

U.S. producers of counters reported inventories of *** units in 1999 and *** units in the first quarter of 2000. U.S. producers of scanners reported inventories of *** units in 1999 and *** units in the first quarter of 2000. Capacity utilization for counter production was *** percent in 1999 and *** percent in the first quarter of 2000. For scanners, capacity utilization was *** percent in 1998 and *** percent in the first quarter of 2000.

U.S. Alternative Markets

C-A said that other countries often view their currency as a strategic issue and thus other governments may work closely with local companies to ensure that those local companies are protected from foreign competition, such as U.S. producers.⁴ In the counter market, *** listed its export markets as Canada, Turkey, the United Kingdom, and Mexico while *** listed its export markets as Canada, Latin America, Europe, the Middle East, and Africa. In the scanner market, where scanners must be set for a particular (in this case U.S.) currency, there are far fewer exports. *** reported some exports to the same markets as its counters while *** listed some exports to Australia and New Zealand.

U.S. Production Alternatives

The production lines and equipment used to produce counters and scanners cannot be used to produce other products.

Subject Imports

China

Chinese counter capacity utilization was 88.6 percent in the first half of 2000, up from 73.2 percent in 1999. Chinese inventories were 637 units in the first quarter of 2000, down from 754 units in 1999. Exports from China to the United States were 1,742 units in 1999, or about 11.9 percent of 1999 total shipments. Imports from China accounted for *** percent of U.S. counter consumption in 1999 (by quantity).

Korea

Korean counter capacity utilization was 47.5 percent in the first half of 2000, down from 78.8 percent in 1999. Korean inventories were 745 units in the first quarter of 2000, down from 1,110 units in 1999. Exports from Korea to the United States were 3,345 units in 1999, or about 17.6 percent of 1999 total shipments. Imports from Korea accounted for *** percent of U.S. counter consumption in 1999 (by quantity).

⁴ Conference transcript, p. 37.

United Kingdom

U.K. counter capacity utilization was *** percent in the first half of 2000, up from *** percent in 1999. U.K. counter inventories were *** in the first quarter of 2000, down from *** in 1999. U.K. counter exports to the United States were *** units in 1999, or about *** percent of 1999 total shipments. Imports of counters from the United Kingdom accounted for *** percent of U.S. consumption in 1999 (by quantity).

For scanners, U.K. capacity utilization was *** percent in the first half of 2000, up from *** percent in 1999. U.K. scanner inventories were *** units in the first quarter of 2000, up from *** units in 1999. U.K. scanner exports to the United States were *** units in 1999, or about *** percent of 1999 total shipments. Imports of scanners from the United Kingdom accounted for *** percent of U.S. consumption in 1999 (by quantity).

Nonsubject Imports

The major source of nonsubject production is Japan, with major producers Glory and Billcon. Importers stated that Japanese imports, especially from Glory, are an important part of the U.S. market. C-A agreed and stated that while it felt competitive pressure from Japanese imports, it did not believe that Japanese imports were technically in violation of U.S. dumping laws. C-A said that prior to its successful patent lawsuits against Glory, Japanese scanners had sold at 30 to 40 percent lower prices than C-A scanners.⁵

U.S. Demand

Demand Characteristics

Counters and scanners are used in money-processing applications across a range of industries. End users are concentrated in banking and retail, but there are also markets in gaming and small stores, where respondents say that end users need only a less expensive, minimum feature and less durable machine. De La Rue added that 70 percent of its sales are not to large accounts.⁶ C-A stated that it is also present in this market, with 60 percent of its sales to such buyers.⁷

Within banking, counters and scanners are used in bank vaults and at bank branches in both teller windows and large money processing centers. Respondents said that different parts of a bank may have different counter and scanner needs. *** confirmed that some customers buy both counters and scanners.⁸ C-A said that as the banking industry becomes more concentrated, with purchasing remaining at central locations that purchase for more and more branches, it has been experiencing rising price pressures. In particular, when it now loses one account, it loses a larger percentage of the market.

C-A describes demand for counters and scanners as being primarily price driven. Within the four categories it noted (counters, counters with counterfeit detection, scanners, and scanners with counterfeit detection), it stated that products compete on price, assuming they have met a certain

⁵ Conference transcript, pp. 11 and 36, and petitioner's postconference brief, pp. A-25-26.

⁶ De La Rue stated that these sales were not the type that would "concern" C-A, which it said was focused on larger banking customers. Conference transcript, p. 60.

⁷ Conference transcript, p. 106.

⁸ Conversation with ***.

minimum bar. It elaborated that all the subject imports met that minimum bar. C-A also stated that there can be price competition even between the categories, and cited examples of scanner customers buying counters because the counters were significantly less expensive.

Importers divided counter demand by how much volume the counter can handle, with a heavy duty machine serving customers who will be using it for 8 hours or more a day and a light duty machine being used an hour a day or so on average. Importers said that C-A focuses on the “high-end” market, producing heavy duty machines with many features and aimed at the high-volume user, while some imports have tried to capture a separate market, the smaller, individual machine buyer such as small retailers and charities who want a simple, light, and low duty machine at low cost.

Demand Trends

*** reported that the level of demand for note counters and scanners has remained generally constant since 1997, due to the offsetting effects of bank branch expansion versus consolidation within the banking industry. *** said that there has been a gradual increase in demand, especially in the replacement market. It continued that demand is bifurcating toward low cost counters on the one hand and scanners on the other. *** said that demand has increased due to technological advancements which have made lower priced products available to customers who previously purchased used products or no counters at all, but who now purchase new note counters. *** explained that the new availability of low-cost note counters had led it to develop a separate marketing strategy for lower-priced cash-handling products, selling these products through an entirely separate product line.

Despite the constant level of demand, *** described the counter and scanner market as being in a state of dynamic evolution for the past five years. It stated that the continual changes in currency formats and security features have meant constant modifications in the counter and scanner business as well. It added that new products are showing progressively increasing functionality and quality. *** stated that increased scanner demand had cut into the demand for high-end note counters, and so it had moved into low-cost counters. *** also said that it had seen the increased scanner demand and was moving into that market.

Substitute Products

C-A reported that no practical substitutes exist for desktop note counters and scanners. Four importers and DI mentioned currency scales, and respondents suggested that scales are substitutes primarily for lower end counters, while scanner customers will need to purchase a scanner.⁹ *** cited competition from money scales as decreasing demand for counters. Larger counting and scanning machines are also available, but these machines are much more expensive and much larger.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported counters and scanners depends upon whether customers are purchasing any machine that meets certain baseline conditions (as C-A says) or whether the market is broken into demand segments that will want different quality machines for different prices. Petitioners stated that, in general, most counters and scanners are highly interchangeable in customers’ eyes and compete on price, while respondents said that different demand segments have different levels of need for extra features and durability.

⁹ Conference transcript, pp. 71-73, 85.

Lead Times

*** reported its lead times were ***, while only one importer, ***, reported a lead time of ***. Other importers and DI had lead times ranging from 1 week to 45 days.

Factors Affecting Purchasing Decisions

Technical support and service are usually provided to counter and scanner customers. C-A provides technical support and service through its distribution network, though it charges for the service separately from its sales price. Among importers, those who use their own distribution network offer service and technical support through their distributors. Importers who use outside distributors often do not offer technical support or service, with the distributor instead providing that service.

*** stated that buyers of note counters often rely on the reputation of suppliers when recommending a counter for a particular end user, and thus it has emphasized selling its *** counters toward the low-end market.

C-A and importers differed over the importance of additional features when purchasing a counter or scanner. C-A stated that price was a dominant factor in purchaser decisions. However, importers stated that C-A had manufactured machines only for the high-end market, with features that were unnecessary and unwanted by low-end market customers, who only wanted a simple, low-cost machine.

Comparisons of Domestic Products and Subject Imports

C-A said that counters from all subject and nonsubject countries are always interchangeable with counters from the United States and with each other. It added that differences other than price are never a significant factor in sales of counters from any country. It elaborated that all counters in the U.S. market meet a minimum bar with respect to customers' desired attributes, as those that have not met the minimum bar have exited the market. It stated that purchase decisions among minimum-bar counters always come down to price, and cited the large market share captured by the lowest price products as evidence.

Importers tended to characterize counters as frequently or sometimes interchangeable with counters from other countries. The following tabulation summarizes the number of importer responses to Commission questions on the interchangeability of U.S. and subject counters:¹⁰

¹⁰ Importers were asked to report whether two countries' products were "never," "sometimes," "frequently," or "always" interchangeable, and whether differences other than price were "never," "sometimes," "frequently," or "always" a significant factor in sales. The tabulation reports how many importers reported each answer for each comparison. When the number of responses is less than the total number of importers, it is due to some importers not having enough knowledge to make a comparison. Although C-A was also an importer, its answers are not included in the tabulation and instead reported separately.

Comparison	Interchangeable?	Differences other than price a factor in sales?
U.S.-China	3 sometimes 2 frequently 1 always	4 frequently 1 never
U.S.-Korea	3 sometimes 2 frequently	3 frequently 1 sometimes
U.S.-United Kingdom	3 frequently 1 sometimes	2 sometimes 1 frequently 1 never
U.S.-Nonsubject	3 frequently 1 sometimes 1 always	2 sometimes 1 frequently 1 never

In addition, *** reported that basic counters from any source should be similar, and counterfeit detection capabilities aimed at the same currency should be similar as well, even if the production sources are in different countries. *** reported that Chinese counters are “sub-standard,” that the C-A counters have more standard features than the Korean counters, and that the Plus counters from Korea have a patented dust removal system that other counters do not have. *** said that Chinese and Korean counters are of lesser quality than U.S., Japanese, and U.K. counters and thus not totally interchangeable for high volume applications. It added that Korean counters are higher quality than Chinese counters, which it described as less durable, having fewer features, and more difficult to service. *** cited differences in quality, product range, service, technical support, and availability of spare parts as differences other than price that “sometimes” or “frequently” mattered in comparing counter sales across countries.

C-A stated that scanners from the United States, United Kingdom, and nonsubject countries are always interchangeable and never compete on differences other than price (for the same reasons it said that counters do not). It anticipates imports of scanners from China and Korea entering the U.S. market soon, with these scanners being always interchangeable with U.S. scanners.

Among importers, only *** expressed knowledge of the scanner market. *** stated that U.S., U.K., and Japanese scanners are “frequently” interchangeable, with *** adding that among those suppliers, differences other than price were “sometimes” a significant factor in sales. It cited product range as an example of such a difference.

Comparisons of Subject Imports and Nonsubject Imports

*** stated that all counters and scanners that met a minimum bar were interchangeable with each other, and differences other than price were not a significant factor in sales. The following tabulation summarizes importer comparisons of subject and nonsubject imports:

Comparison	Interchangeable?	Differences other than price a factor in sales?
China-Korea	3 frequently 2 sometimes 1 always	2 frequently 2 sometimes 1 never
China-United Kingdom	3 sometimes 2 frequently 1 always	2 frequently 1 sometimes 1 never
China-Nonsubject	2 frequently 2 sometimes 1 always	1 frequently 1 sometimes 1 never
Korea-United Kingdom	2 frequently 2 sometimes	2 frequently 1 sometimes
Korea-Nonsubject	2 frequently 2 sometimes	2 frequently 1 sometimes
United Kingdom-Nonsubject	3 frequently 1 sometimes	1 frequently 1 sometimes 1 never

*** stated that domestic, subject, and nonsubject counters and scanners can have differences in quality, product range, and service. *** said that domestic, subject, and nonsubject counters and scanners can have differences in availability, quality, and technical support. *** said that Chinese counters are less durable, have fewer features, and are more difficult to service.

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of two firms that accounted for *** percent of U.S. production of counters and scanners during 1999.

U.S. PRODUCERS

There were three known U.S. producers¹ of counters and scanners during 1997-99: C-A, the petitioner, which accounted for *** percent of U.S. production of counters and scanners in 1999; DI, which is opposed to the petition and accounted for *** percent of production in 1999; and G&D, which *** the petition and represented *** percent of production in 1999.²

C-A is a wholly-owned subsidiary of Cummins-American located in Mt. Prospect, IL and is the petitioner in these investigations. C-A first entered the counters and scanners business in 1982 when it began importing counters from ***. The firm did not actually produce the subject merchandise until 1991, when it developed the first desktop scanner. Prior to this, scanning technology was only used in large currency handling machines.³ C-A later began producing counters in 1995 as an add-on to its scanner business.⁴ Besides counters and scanners, C-A also produces coin sorting equipment, paper shredding equipment, and other miscellaneous office equipment. The firm estimates that counters and scanners account for *** percent of its overall business.

DI purchased the former Brandt Company in August 1995. Brandt developed the desktop note counter during the mid 1970s. While the company met with success during the late 1970s and 1980s, Brandt ran into financial difficulties in 1992 and was forced to declare bankruptcy.⁵ The company recovered, however, before it was bought out by DI in 1995. Since that time, DI has continued producing counters and scanners at the Brandt site in Watertown, WI.⁶ Counters and scanners account for approximately *** percent of overall production in Wisconsin. In September 1998, a strategic decision was made by DI's parent company, De La Rue, PLC, to move scanner production from Wisconsin to a facility in the United Kingdom. De La Rue, PLC sought to improve its ability to service

¹ The Commission was made aware of two additional U.S. producers of counters and scanners at the staff conference. Until that time, petitioner maintained that C-A was the sole U.S. producer of counters and scanners during the period of investigation. (See petition, p. 2.)

² Because the Commission was only informed of G&D's production at the late date of the staff conference, staff was unable to obtain data other than production figures for G&D.

³ Petition, p. 4.

⁴ C-A continued importing counters from *** during 1982-95. The firm decided to begin production of counters when the cost of producing counters became cheaper than continuing to import them from ***. Petitioner's postconference brief, p. A-20.

⁵ Petitioners allege that Brandt's financial difficulties were caused by low-priced imports. According to letters provided by De La Rue, however, Brandt informed its customers at the time that the firm declared bankruptcy to avoid paying a judgment against it as a result of a patent infringement action filed by C-A. (See conference transcript, p. 60, and De La Rue's postconference brief, exhibit 4).

⁶ DI closed a second Brandt facility located in Bensalem, PA, in September 1998.

new international markets with this move. However, in light of unrealized sales, De La Rue, PLC announced in June 2000 that it intended to move its production of scanners back to the Watertown facility by September 2000. The firm also produces coin sorters and packagers at the Watertown facility.

G&D is the smallest of the three producers and actually ceased production of the domestic product in December 1999. G&D purchased Technitrol, a former U.S. producer of counters and scanners and competitor of C-A, in 1996. G&D produced both counters and scanners in the United States after its purchase of Technitrol. The firm ceased production of its counters in 1998, but continued to produce scanners, in conjunction with Magner, a U.S. importer of counters and scanners, until it was sued by C-A on a patent infringement charge. As a result of the suit, G&D ceased producing the subject products altogether in December 1999.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

As shown in table III-1, U.S. production of counters declined *** percent during 1997-99 by quantity. The decline continued by *** percent in the first quarter of 2000. DI accounted for all of the decline in production during 1997-99, dropping by *** percent.⁷ Along with the decline in production, it saw its share of the U.S. counter industry drop from *** percent in 1997 to *** percent in 1999.⁸ On the other hand, C-A's production of counters increased by *** percent from 1997 to 1999, enabling it to capture *** percent of U.S. counter production by 1999.

Table III-1

Counters: U.S. production capacity, production, and capacity utilization, 1997-99, January-March 1999, and January-March 2000

* * * * *

U.S. production of scanners showed a solid growth rate of *** percent during 1997-99 before taking a downturn in the interim 2000 period of *** percent (table III-2). C-A is the primary U.S. producer of scanners. In fact, by 1999, it was the sole U.S. producer of scanners when DI moved its production offshore. Petitioner attributes increased production during 1997-99 to increased demand for counters and scanners as the banking sector continues to expand the number of branches nationwide and believes the downturn in 2000 may be attributed to increased competition in the counter market.

Table III-2

Scanners: U.S. production capacity, production, and capacity utilization, 1997-99, January-March 1999, and January-March 2000

* * * * *

Capacity allocations for counters and scanners are estimated, rather than actual, figures because of the nature of production of the subject products.⁹ Because of this, capacity utilization figures may be

⁷ Counter production declined for both DI and C-A in the first quarter of 2000.

⁸ ***. See e-mail correspondence between Peter Koenig and Jozlyn Kalchthaler, August 11, 2000, and De La Rue's letters of August 21, 2000.

⁹ C-A reported its capacity figures by estimating ***. Actual production is a function of the speed at which the

(continued)_{HH}2

unreliable. Additionally, as counters and scanners are made on the same assembly lines with the same production workers, U.S. industry data suggest that capacity estimates for counters and scanners may be interchangeable. Capacity utilization for counters declined from *** percent in 1997 to *** percent in 1999. Most of this decline was a result of DI's declining production throughout the period. Capacity utilization for scanners fared somewhat better, increasing from *** percent to *** percent in 1999. Capacity utilization dropped off in first quarter 2000 as production of scanners declined.

U.S. PRODUCER'S DOMESTIC SHIPMENTS AND EXPORT SHIPMENTS

Open-market U.S. shipments of counters declined *** percent by quantity during 1997-99, before dropping by an additional *** percent during the interim periods. By value, open-market shipments of counters fell by a slightly greater *** percent, with the unit value falling by roughly \$*** from 1997 to 1999 (table III-3). As with production, most of the declining domestic shipments were attributable to DI, whose shipments dropped *** percent by quantity from 1997 to 1999, while C-A witnessed an overall increase in domestic counter shipments of *** percent from 1997 to 1999.

Export shipments of counters also declined steeply as DI's export shipments declined *** percent from 1997 to 1999.¹⁰ Overall exports declined *** percent by quantity during 1997-99 and an additional *** percent in the interim periods. The decline was a direct result of DI's decision to ***. DI has continued, however, to use the Watertown facilities as a manufacturing center for exports in its international markets. Export unit values increased during the period for which data were collected, resulting in a lesser decline of *** percent by value for export shipments during 1997-99, and *** percent in the first quarter of 2000.

Table III-3

Counters: U.S. producers' shipments, by types, 1997-99, January-March 1999, and January-March 2000

* * * * *

In contrast, open-market U.S. shipments of scanners grew by *** percent by quantity during 1997-99 before falling by *** percent in interim 2000. U.S. domestic shipments of scanners by value rose even more as their unit value increased by roughly \$*** during 1997-99. Unit values then fell in the interim period of 2000 (table III-4).

⁹(...continued)

line operates, which varies with the number of people working on the production lines. (Petitioner's postconference brief, p. A-8.) C-A has not operated at near this estimated capacity level. (See conference transcript, p. 33.)

¹⁰ In contrast, C-A was successful in promoting its exports, with export shipments growing *** percent by quantity during 1997-99 before a downturn of *** percent in first quarter 2000. Despite this increase, petitioner argues that unfairly priced imports in the U.S. market have infringed on C-A's ability to innovate its counters and scanners to compete in foreign markets. Petitioner's postconference brief, p. A-10. Petitioner also stated during a Commission plant visit that C-A had difficulty exporting counters and scanners because certain export markets, ***, view currency as a strategic issue and have constructed non-tariff barriers which are prohibitive to foreign producers of counters and scanners. See USITC fieldwork notes, Mt. Prospect, IL, July 26, 2000.

Table III-4

Scanners: U.S. producers' shipments, by types, 1997-99, January-March 1999, and January-March 2000

* * * * *

Exports of scanners trended irregularly upward during 1997-99 with an overall increase of *** percent by quantity and *** percent by value.¹¹ The quantity of exports rose by *** percent in the first quarter of 2000 while the value rose by *** percent as average unit values fell from \$*** to \$***.

U.S. PRODUCER'S INVENTORIES

End-of-period inventories for counters fluctuated downward during 1997-99 before declining by *** percent during the interim periods. The ratio of inventories to shipments fluctuated upward during the period for which data were collected (table III-5).¹²

Table III-5

Counters: U.S. producer's end-of-period-inventories, 1997-99, January-March 1999, and January-March 2000

* * * * *

Inventories of scanners increased by *** percent during 1997-99 before falling by *** percent in the first quarter of 2000 (table III-6). The ratio of inventories to total shipments fluctuated upward between 1997 and 1999 before falling by *** percentage points in the first quarter of 2000.

Table III-6

Scanners: U.S. producer's end-of-period-inventories, 1997-99, January-March 1999, and January-March 2000

* * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

U.S. employment data for counters show a significant decrease in the overall number of production workers from 1997 to 1999 (table III-7). Again, all of this decline is a result of DI's consolidation effort at the Watertown facility as well as its decision to close down Brandt's Bensalem facility. After the 1998 closure of the Bensalem facility, the number of production workers remained stable through the first quarter of 2000. The decrease in the number of hours worked is a reflection of declining production workers. Hourly wages increased by \$*** during 1997-99 before increasing by \$*** in the interim period of 2000. Productivity remained relatively flat throughout the period for which data were collected.

¹¹ Exports dropped by *** percent from 1998 to 1999, probably the direct result of DI's decision to cease producing scanners in the United States in September of 1998.

¹² The ratio of inventories to U.S. shipments was higher than the ratio of inventories to total shipments throughout the period due to DI's decision to export *** of its U.S. production.

Table III-7

Counters: Average number of production and related workers, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1997-99, January-March 1999, and January-March 2000

* * * * *

The average number of scanner production workers remained stable until 1998 when DI ceased production of scanners at the Watertown facility (table III-8). The decline in hours worked is also reflective of the decline in production workers. Hourly wages saw an increase of \$*** between 1998 to 1999 and productivity remained flat during the period.

Table III-8

Scanners: Average number of production and related workers, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1997-99, January-March 1999, and January-March 2000

* * * * *

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

U.S. IMPORTERS

The Commission sent questionnaires to 12 firms believed to be importers of counters and scanners from all sources; of these, 9 firms supplied questionnaire responses, 5 of which reported importing counters and scanners from subject countries. The remaining 4 imported counters and scanners primarily from Japan, the single largest source of imported counters and scanners.¹ The responding firms accounted for *** percent of U.S. imports from China, *** percent of U.S. imports from Korea, and *** percent of U.S. imports from the United Kingdom.² The firms reporting imports from Japan are believed to account for roughly *** percent of nonsubject imports.

Importers of counters and scanners are located throughout the United States, with the largest importers concentrated in the Northeast and the Midwest. Two nonsubject importers are located in ***. With the exception of ***,³ all of the importers are subsidiaries of foreign firms. *** are all owned by Japanese firms. DI is a subsidiary of De La Rue, PLC of the United Kingdom, and Scan Coin is a subsidiary of Scan Coin International of Sweden. All of the responding firms reported importing counters in 1999. However, only *** imported scanners during the period of investigation.

U.S. IMPORTS

Imports of counters and scanners shown in tables IV-1 and IV-2 are based on the responses of 9 firms to the Commission's importer questionnaire. Subject imports of counters grew 78.5 percent by quantity from 1997 to 1999 and an additional 144.4 percent during the interim period of 2000. By value, subject imports grew at a much lower 27.9 percent during 1997-99 and 110.2 percent in the interim period, reflecting the declining unit values of subject imports.⁴ The largest increase in subject imports was in those from Korea, which rose dramatically by quantity *** and from *** to *** units during the interim period.

Despite significant increases in subject imports during 1997-99 and the interim 2000 period, nonsubject sources (i.e., Japan) continued to be a dominant source of imports. In 1999, nonsubject imports accounted for *** percent of overall imports by quantity. Imports from nonsubject countries trended upward by quantity during 1997-99 before rising by *** percent in interim 2000. By value, the trend was similar from 1997 to 1999 before an increase of *** percent in the first quarter of 2000.

¹ ***.

² Estimates are based on comparisons between import data supplied in the importer questionnaires and exports to the United States as reported in the foreign producer questionnaires.

³ ***, importing from Japan.

⁴ Respondents argue that the lower prices of subject imports, particularly from China and Korea, are explained by the fact that counters from those two countries service the low end of the market. In its postconference brief, Magner explains that product variations have created a segmented market in which purchasers can choose from low-, medium-, and high-end counters, depending on the intensity of the given customer's use of the counter. (Magner's postconference brief, p. 14.) In other words, the low end of the market, serviced by Chinese and Korean counters, consists of customers who intend to use their counters with less frequency than larger users, such as banks.

Table IV-1

Counters: U.S. imports, by sources, 1997-99, January-March 1999, and January-March 2000

Source	Calendar year			January-March	
	1997	1998	1999	1999	2000
Quantity (units)					
China	***	***	***	***	***
Korea	***	***	***	***	***
United Kingdom	***	***	***	***	***
Subtotal	3,308	4,883	5,904	994	2,429
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Value (1,000 dollars)¹					
China	***	***	***	***	***
Korea	***	***	***	***	***
United Kingdom	***	***	***	***	***
Subtotal	1,693	1,905	2,166	412	866
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Unit value (per unit)¹					
China	\$***	\$***	\$***	\$***	\$***
Korea	***	***	***	***	***
United Kingdom	***	***	***	***	***
Average	512	390	367	414	357
Other sources	***	***	***	***	***
Average	***	***	***	***	***
Share of quantity (percent)					
China	***	***	***	***	***
Korea	***	***	***	***	***
United Kingdom	***	***	***	***	***
Subtotal	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
Share of value (percent)					
China	***	***	***	***	***
Korea	***	***	***	***	***
United Kingdom	***	***	***	***	***
Subtotal	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
¹ Landed, duty-paid. ² Not applicable.					
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

IV-2

Table IV-2

Scanners: U.S. imports, by sources, 1997-99, January-March 1999, and January-March 2000

Source	Calendar year			January-March	
	1997	1998	1999	1999	2000
Quantity (units)					
China	0	0	0	0	0
Korea	0	0	0	0	0
United Kingdom	***	***	***	***	***
Subtotal	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Value (1,000 dollars)¹					
China	0	0	0	0	0
Korea	0	0	0	0	0
United Kingdom	***	***	***	***	***
Subtotal	***	***	***	***	***
Other sources	***	***	***	***	***
Total	***	***	***	***	***
Unit value (per unit)¹					
China	(²)	(²)	(²)	(²)	(²)
Korea	(²)	(²)	(²)	(²)	(²)
United Kingdom	***	***	***	***	***
Average	***	***	***	***	***
Other sources	***	***	***	***	***
Average	***	***	***	***	***
Share of quantity (percent)					
China	0.0	0.0	0.0	0.0	0.0
Korea	0.0	0.0	0.0	0.0	0.0
United Kingdom	***	***	***	***	***
Subtotal	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
Share of value (percent)					
China	0.0	0.0	0.0	0.0	0.0
Korea	0.0	0.0	0.0	0.0	0.0
United Kingdom	***	***	***	***	***
Subtotal	***	***	***	***	***
Other sources	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

¹ Landed, duty-paid.² Not applicable.

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

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

Imports of subject scanners went from *** in 1997 to *** units in 1999 with an additional increase of *** percent during the interim periods. According to DI, the sole importer of subject scanners, the increase was caused by a strategic decision by De La Rue, PLC in September 1998 to relocate DI's production of its two-pocket scanners to the United Kingdom in order to better service the firm's international customers. Dissatisfied with the lack of sales for its U.K.-produced scanner, De La Rue, PLC has decided to return production of the two-pocket scanner to Wisconsin in September 2000.⁵

Nonsubject imports of scanners increased throughout the period for which data were collected, rising *** percent by quantity from 1997 to 1999 and an additional *** percent during interim 2000. By value the trend was similar, with imports rising by *** percent during 1997-99 and a smaller *** percent in the first quarter of 2000, signaling a declining unit value in the first quarter after a period of stable prices during 1997-99. This increase occurred despite the patent infringement settlement between C-A and Glory of Japan in 1999 which effectively precluded Glory from shipping single-pocket scanners to the United States. Glory produces a multi-pocket scanner, however, and continues to export that product to the U.S. market.

APPARENT U.S. CONSUMPTION

Data on U.S. consumption of counters and scanners, as shown in tables IV-3 and IV-4, are based on U.S. producers' and importers' U.S. commercial shipments. Apparent consumption of counters trended upward by quantity during 1997-99 before increasing by *** percent in the interim periods. At best, however, rising consumption was modest during 1997-99, increasing by only *** percent from 1997 to 1998 before declining in 1999 by *** percent. The increase in consumption in the interim periods was due to increased shipments from both Korea and nonsubject sources, which grew by *** percent and *** percent, respectively.⁶ Shipments from both China and the United Kingdom declined in the interim periods.

⁵ Conference transcript, p. 52, and De La Rue's postconference brief, pp. 7-8. About 85 percent of De La Rue, PLC's exports to the United States were single-pocket scanners, which ceased in April 2000 because of a patent infringement case brought by C-A against De La Rue. The remaining 15 percent were two-pocket scanners. Thus, subject imports of scanners are expected to cease entirely by September 2000.

⁶ Respondents account for the increase in Korean imports during the period for which data were collected by suggesting that low-priced imports have opened up the market to low usage users, such as fast food restaurants, gas stations, and small retail stores. (See collective conference exhibit 1 from the staff conference.)

Table IV-3

Counters: U.S. shipments of domestic product, U.S. import shipments, by sources, and apparent U.S. consumption, 1997-99, January-March 1999, and January-March 2000

Item	Calendar year			January-March	
	1997	1998	1999	1999	2000
Quantity (units)					
U.S. producers' shipments	***	***	***	***	***
U.S. shipments of imports from-- China	***	***	***	***	***
Korea	***	***	***	***	***
United Kingdom	***	***	***	***	***
All subject countries	2,855	4,170	5,717	1,438	2,125
Nonsubject countries	***	***	***	***	***
All countries	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***
Value (1,000 dollars)					
U.S. producers' shipments	***	***	***	***	***
U.S. shipments of imports ¹ from-- China	***	***	***	***	***
Korea	***	***	***	***	***
United Kingdom	***	***	***	***	***
All subject countries	2,090	2,807	3,334	940	1,362
Nonsubject countries	***	***	***	***	***
All countries	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***
¹ F.o.b. U.S. port of entry.					
Note.--Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Table IV-4

Scanners: U.S. shipments of domestic product, U.S. import shipments, by sources, and apparent U.S. consumption, 1997-99, January-March 1999, and January-March 2000

* * * * *

U.S. consumption of scanners grew by a strong *** percent by quantity during 1997-99 before increasing by a more modest *** percent in the first quarter of 2000. The increase in consumption during 1997-99 was the result of increases from all three sources of scanners, that is C-A; De La Rue, PLC; and nonsubject sources. The slowdown in growth in the first quarter of 2000 occurred because of a decrease in domestic shipments from C-A.

U.S. MARKET SHARES

Market shares based on U.S. producers' shipments and U.S. importers' shipments are presented in tables IV-5 and IV-6 for counters and scanners, respectively. U.S. producers' market shares for counters declined by quantity and value during the period for which data were collected, steadily eroding by an average *** percentage points each year. Most of the gain went to Korea, which witnessed its market share jump from *** percent in 1997 to *** percent by quantity in the first quarter of 2000.

U.S. producers retained the largest portion of the U.S. market for scanners, although they did witness their share drop *** percentage points from 1997 to 1998. Most of this drop was accounted for by DI's withdrawal from the domestic market in 1998. The U.S. producers again witnessed a drop in market share in the first quarter of 2000, although the gained market share went almost entirely to nonsubject imports, which increased their market share by *** percentage points during the interim periods.

Table IV-5

Counters: Apparent U.S. consumption and market shares, 1997-99, January-March 1999, and January-March 2000

* * * * *

Table IV-6

Scanners: Apparent U.S. consumption and market shares, 1997-99, January-March 1999, and January-March 2000

* * * * *

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Transportation Costs to the U.S. Market

Transportation costs from foreign to U.S. markets are estimated to be the following percentages of the April 1999 through March 2000 c.i.f. value:¹

China	Korea	United Kingdom
3.2	3.1	2.2

U.S. Inland Transportation Costs

Among producers, *** reported transportation costs of *** percent, while *** reported that customers pay transportation costs. Among importers, two reported that customers pay transaction costs while three others had transportation costs in the 1-6 percent range.

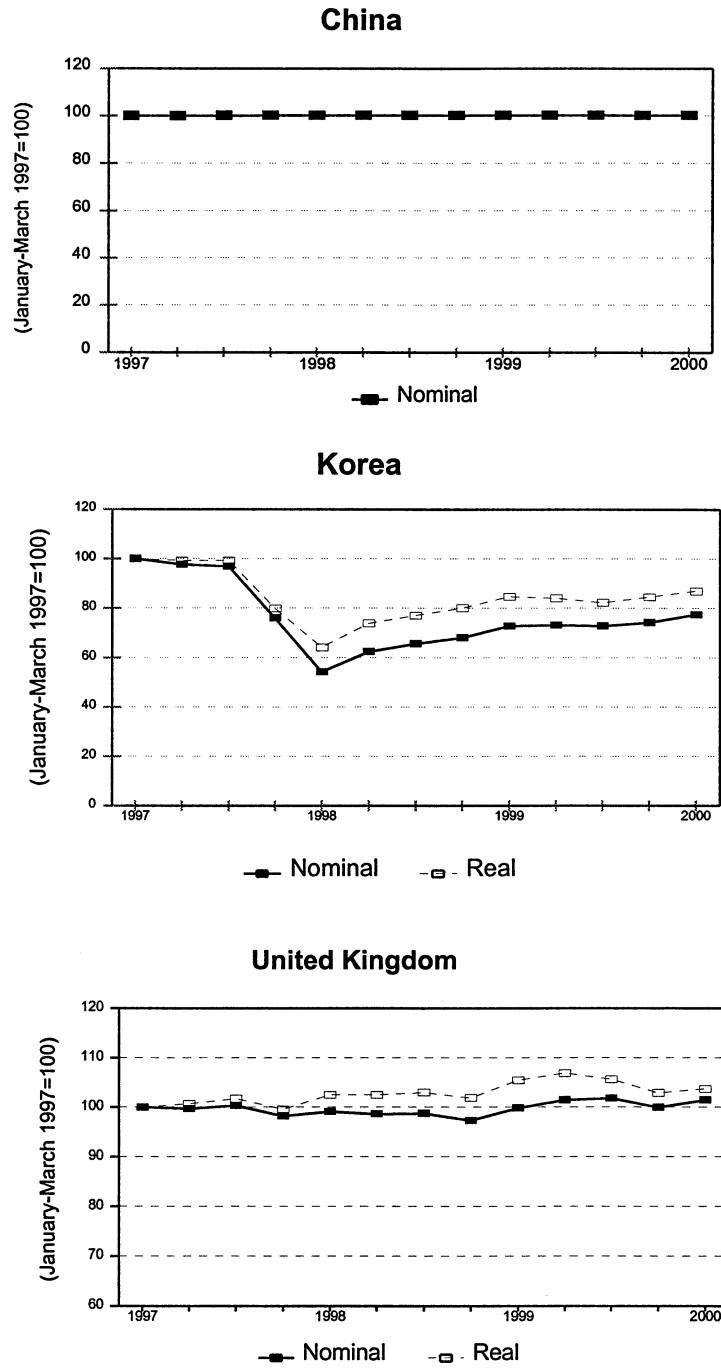
Exchange Rates

Exchange rate changes from first quarter 1997 until first quarter 2000 are graphed in figure V-1. The exchange rates are all normalized so that the first quarter of 1997 = 100. A real exchange rate is not available for China.

¹ Calculated from Customs data (customs value and c.i.f. value) for the HTS category in the investigations.

Figure V-1

Exchange rates: Indices of the nominal and real exchange rates of the currencies of China, Korea, and the United Kingdom in relation to the U.S. dollar, by quarters, January 1997-March 2000



Source: International Monetary Fund, *International Financial Statistics*, June 2000.

PRICING PRACTICES

Pricing Methods

Among producers, ***. Five importers reported using a price list for dealers and distributors, while ***. *** said that *** percent of its sales were on a contract basis and *** percent were spot while *** reported that *** percent of their sales were on a contract basis and *** percent were spot. The *** reported that all of their sales were on a spot basis.

All importers and producers reported having volume discounts, with *** reporting that import competition can force it to increase quantity discounts. Two importers reported offering discounts for more than 2 or 3 counters, while *** did not offer a discount until purchasers reached ***. *** stated that it also offered discounts on its counters based on purchases of other, non-counter products.

Price Trends

C-A characterized subject imports as using price undercutting as their method of securing market share from C-A and other U.S. producers. It stated that it had foregone price increases and dropped prices in order to stay in business while other U.S. producers exited. It added that some C-A price reductions reached 20 percent, which it explained would not allow it to continue in business.² Respondents described the counter market as following similar trends to other money handling technologies like ATMs and coin counters--falling prices as the technology becomes more common.

PRICE DATA

The Commission requested U.S. producers and importers of counters and scanners to provide quarterly data for the total quantity and value of counters and scanners that were shipped to unrelated customers in the U.S. market. Data were requested for the period January 1997 through March 2000, and are presented in tables V-1 through V-9 and figures V-2 through V-13. The products for which pricing data were requested are as follows:

Note counters

Product 1.--Basic Note Counter. Has no scanning/recognition capability for purposes of identifying notes by denomination. Is used to count the number of pieces placed in the hopper for purposes of verifying a total piece count. This unit has no counterfeit detection capability.

Product 2.--Basic Note Counter with Suspect Document Detection. Has no scanning/recognition capability for purposes of identifying notes by denomination. Is used to count the number of pieces placed in the hopper for purposes of verifying a total piece count. The unit incorporates sensors for the purpose of identifying a suspect (i.e., counterfeit) document. (Please report actual features of machines.)

² Conference transcript, pp. 20-24.

Currency scanners

Product 3.--Single Pocket Currency Scanner without Suspect Document Detection. Has the capability of authenticating and denominating currency by denomination based upon sensors scanning the notes being processed and matching these against a library of patterns stored within the machine's software. These machines have a single pocket input and single pocket output without an additional offsort.

Product 4.--Single Pocket Currency Scanner with Suspect Document Detection. Has the capability of authenticating and denominating currency by denomination based upon sensors scanning the notes being processed and matching these against a library of patterns stored within the machine's software. These machines have a single pocket input and single pocket output without an additional offsort. The unit incorporates sensors for the purpose of identifying a suspect (i.e., counterfeit) document. (Please report actual features of machines.)

Table V-1

Counters: F.o.b. prices and quantities of domestic product 1 reported by producers and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Table V-2

Counters: F.o.b. prices and quantities of product 1 imported from China reported by importers and sold to distributors, by sources and by quarters, January 1997-March 2000

* * * * *

Table V-3

Counters: F.o.b. prices and quantities of product 1 imported from Korea reported by importers and sold to distributors, by sources and by quarters, January 1997-March 2000

* * * * *

Table V-4

Counters: F.o.b. prices and quantities of product 1 imported from Korea and the United Kingdom reported by De La Rue and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Table V-5

Counters: F.o.b. prices and quantities of domestic product 2 reported by producers and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Table V-6

Counters: F.o.b. prices and quantities of product 2 imported from China reported by importers and sold to distributors, by sources and by quarters, January 1997-March 2000

* * * * *

Table V-7

Counters: F.o.b. prices and quantities of product 2 imported from Korea and the United Kingdom reported by importers and sold to distributors and end users, by sources and by quarters, January 1997-March 2000

* * * * *

Table V-8

Scanners: F.o.b. prices and quantities of domestic and imported product 3 reported by producers and De La Rue and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Table V-9

Scanners: F.o.b. prices and quantities of domestic and imported product 4 reported by producers and De La Rue and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-2

Counters: F.o.b. prices of domestic product 1 reported by producers and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-3

Counters: F.o.b. prices of product 1 imported from China reported by importers and sold to distributors, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-4

Counters: F.o.b. prices of product 1 imported from Korea reported by importers and sold to end users and distributors, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-5

Counters: F.o.b. prices of product 1 imported from the United Kingdom reported by De La Rue and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-6

Counters: F.o.b. prices of domestic product 2 reported by producers and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-7

Counters: F.o.b. prices of product 2 imported from China reported by importers and sold to distributors, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-8

Counters: F.o.b. prices of product 2 imported from Korea reported by importers and sold to distributors, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-9

Counters: F.o.b. prices of product 2 imported from the United Kingdom reported by importers and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-10

Scanners: F.o.b. prices of domestic product 3 reported by producers and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-11

Scanners: F.o.b. prices of product 3 imported from the United Kingdom reported by De La Rue and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-12

Scanners: F.o.b. prices of domestic product 4 reported by producers and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

Figure V-13

Scanners: F.o.b. prices of product 4 imported from the United Kingdom reported by De La Rue and sold to end users, by sources and by quarters, January 1997-March 2000

* * * * *

The price data received by the Commission have the advantage of being fairly comprehensive while sacrificing some specificity. That is, while products 1 to 4 often account for all or almost all of respondent counter and scanner sales,³ there is product mix within each pricing product. For this reason, each pricing product is dealt with on a company-by-company basis.

It should also be noted that *** sell to end users directly. The *** prices are all for sales to distributors. Hedman stated that distributors will often mark-up prices an additional 35 to 50 percent, and *** suggests a dealer list price that, when discounted 40 percent, would equal the price it sells to distributors.

For product 1, the basic note counter with no counterfeit detection, ***.

* * * * *

For product 1, four importers and *** report prices falling somewhat, while ***'s prices remained relatively stable. *** does show some price slippage (perhaps due to product mix) and the entry of lower priced products from Korea in 1998 is a significant development. ***.

For product 2, ***.

On product 2, *** prices again fall somewhat and volumes rise. *** also shows falling prices but accompanied by declining volumes. *** shows prices that fall 17.3 percent from January 1997 to March 2000, with volume rising significantly in 1998 before falling off in 1999. *** enters the market in 1999.

For products 3 and 4, it should be noted that the De La Rue scanner in question, the Model 2700, will no longer be imported into the United States after April 2000, as a result of De La Rue's losing a patent infringement case brought by C-A. DI will begin producing a double-pocket scanner (not included in pricing product 4) in September 2000. ***.⁵

Additional price data were also assembled by staff from the discount sheets that producers and importers supplied to their in-field sales people and distributors, as well as from the web sites of distributors Checktech and AMS. From these sources, price comparisons are summarized in the tabulation below:

* * * * *

A later submission by *** showed that it issues a pricing guide which lists its ***. These prices may explain ***.⁶

The tabulations seem to confirm respondent statements that distributors will mark-up their selling prices by 35 to 50 percent. They also fit with the pricing data collected by the Commission and the statements by Magner that the Magner Model 20, HC-106, and Scan Coin 865 have significantly lower prices than the C-A 4020 models.

³ The counter descriptions are all inclusive but other types of scanners, such as double-pocket scanners, would not be included.

⁴ Conversation with ***.

⁵ Submission by petitioners, August 14, 2000.

⁶ Conversation with ***.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of counters and scanners to report any instances of lost sales or revenues they experienced due to competition from imports of counters and scanners from China, Korea, or the United Kingdom since January 1, 1997. DI did not report any lost sales or revenues. C-A submitted a list of lost sales, of which 10 allegations had enough information for the Commission to make contact with purchasers. A summary of the information obtained follows.

* * * * *

PART VI: FINANCIAL CONDITION OF THE U.S. INDUSTRY

BACKGROUND

Two producers¹ accounting for *** percent of U.S. production of desktop note counters and scanners in 1999 provided financial data on their counter and scanner operations.²

OPERATIONS ON COUNTERS

The results of the counter operations of the U.S. producers are presented in table VI-1. The net sales quantities and values, operating income, and the operating income margin decreased in each comparative period. Selected financial data by firm are presented in table VI-2. ***.

Table VI-1

Results of U.S. producers on their counter operations, fiscal years 1997-99, January-March 1999, and January-March 2000

* * * * *

Table VI-2

Selected financial data of U.S. producers on their counter operations, by firm, fiscal years 1997-99, January-March 1999, and January-March 2000

* * * * *

OPERATIONS ON SCANNERS

The results of the scanner operations of the U.S. producers are presented in table VI-3. The net sales quantities and values increased in 1998 compared to 1997 and then decreased *** in 1999 compared to 1998. Net sales values and quantities decreased in the January-March 2000 interim period compared to interim 1999. Operating income margins exceeded ***. Selected data by firm are presented in table VI-4. DI did not sell scanners after fiscal year 1998. ***.

Table VI-3

Results of U.S. producers on their scanner operations, fiscal years 1997-99, January-March 1999, and January-March 2000

* * * * *

Table VI-4

Selected financial data of U.S. producers on their scanner operations, by firm, fiscal years 1997-99, January-March 1999, and January-March 2000

* * * * *

¹ The fiscal year end of C-A is ***. The fiscal year end of DI is ***.

² Unit values and a variance analysis are not provided because of changes in the mix of models, introduction of model variants, discontinuance of models, or ***.

VALUE ADDED BY U. S. PRODUCERS

The value added was computed by Commission staff from the detail of COGS and SG&A expenses provided by the U.S. producers for the 1999 fiscal year. The analysis is based on the production process that is added to the purchased raw materials. The value added as a percent of total processing costs is summarized in the following tabulation:

	<u>Total value added</u>		<u>Total value added less SG&A</u>	
	<u>Counters</u>	<u>Scanners</u>	<u>Counters</u>	<u>Scanners</u>
C-A	***	***	***	***
DI	***	(1)	***	(1)

¹Not applicable.

CAPITAL EXPENDITURES, R&D EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

The U.S. producers' capital expenditures, R&D expenses, and the value of their fixed assets are presented in table VI-5. ***.

Table VI-5
Capital expenditures, R&D expenses, and fixed assets utilized by U.S. producers in their production of counters and scanners, fiscal years 1997-99, January-March 1999, and January-March 2000

* * * * *

CAPITAL AND INVESTMENT

The comments of the U.S. producers regarding any actual or potential negative effects of imports of desktop note counters and scanners from China, Korea, and/or the United Kingdom on their growth, investment, ability to raise capital, and/or development and production efforts (including efforts to develop a derivative or more advanced version of the product) are presented in appendix D.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V, and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.¹

THE INDUSTRY IN CHINA

There are three known producers of counters and scanners in China, Nanjing No. 5311 Factory Bank Machines Branch Factory, Toyocom, and Dongbo. The Commission received questionnaire responses from all three producers. Of the three producers, only *** manufactures both counters and scanners, although it does not export its scanners to the U.S. market (tables VII-1 and VII-2). While none of the producers reported plans on curtailing production of counters and scanners, *** reported that as its main customers are ***, it was planning on retooling a number of its counters and scanners to handle the new yuan bills debuting in China.

Chinese production of counters declined by 16.2 percent during 1997-99 before rebounding by 373.5 percent in the first quarter of 2000. Capacity utilization declined steadily during the period until it jumped from 47.5 percent in first quarter 1999 to 88.6 percent in 2000. Shipments to the United States followed a similar trend, declining by 28.9 percent from 1997 to 1999 before increasing by 63.5 percent in the first quarter of 2000. Exports to the United States represented 12.5 percent of total Chinese shipments of counters in the first quarter of 2000. The majority of Chinese counters are sold in the home market, 48.6 percent, and the other export markets, 38.9 percent.

¹ No information is available on any existing third-market trade measures or sanctions against counters and scanners from China, Korea, or the United Kingdom.

Table VII-1

Counters: Chinese production capacity, production, shipments, and inventories, 1997-99, January-March 1999, January-March 2000, and projected 2000-01

Item	Actual experience					Projections	
	1997	1998	1999	January-March		2000	2001
				1999	2000		
Quantity (units)							
Capacity	20,500	19,100	19,300	2,275	5,775	21,500	17,375
Production	16,858	14,184	14,121	1,081	5,119	17,100	14,050
End of period inventories	1,447	1,323	754	560	637	344	284
Shipments:							
Internal consumption	6	12	15	0	3	10	10
Home market	5,284	5,785	6,668	241	2,544	8,500	7,000
Exports to--							
The United States	2,450	1,556	1,742	400	654	1,500	500
All other markets	8,716	6,955	6,265	740	2,035	7,480	6,600
Total exports	11,166	8,511	8,007	1,140	2,689	8,980	7,100
Total shipments	16,456	14,308	14,690	1,381	5,236	17,490	14,110
Ratios and shares (percent)							
Capacity utilization	82.2	74.3	73.2	47.5	88.6	79.5	80.9
Inventories to production	8.6	9.3	5.3	13.0	3.1	2.0	2.0
Inventories to total shipments	8.8	9.2	5.1	10.1	3.0	2.0	2.0
Share of total quantity of shipments:							
Internal consumption	(¹)	0.1	0.1	0.0	0.1	0.1	0.1
Home market	32.1	40.4	45.4	17.5	48.6	48.6	49.6
Exports to--							
The United States	14.9	10.9	11.9	29.0	12.5	8.6	3.5
All other markets	53.0	48.6	42.6	53.6	38.9	42.8	46.8
All export markets	67.9	59.5	54.5	82.5	51.4	51.3	50.3
¹ Less than 0.05 percent. Note.—Because of rounding, figures may not add to the totals shown. Source: Compiled from data submitted in response to Commission questionnaires.							

Table VII-2

Scanners: Chinese production capacity, production, shipments, and inventories, 1997-99, January-March 1999, January-March 2000, and projected 2000-01

* * * * *

THE INDUSTRY IN KOREA

There are three known producers of counters in Korea: Donghee, Plus Banking, and Shinsung.² The Commission received questionnaire responses from all three producers. Korean exports to the United States are relatively new. Although one producer, ***, reported exporting counters to the United States in 1997, Korean exports did not obtain any commercial significance until 1998. Korean respondents argue that most of the counters being exported to the United States are of extremely low quality and are not meant to be used for any kind of high volume or high frequency counting, thus accounting for the significant price differences between its product and the domestic product.³ Korean producers export both a low-end model, a model with a magnetic sensor for counterfeit detection, and a mid-range model.⁴

While capacity for the three Korean producers increased by 63.7 percent from 1997 to 1998, production trended upward by 50.3 percent during 1997-99 and grew an additional 83.4 percent in the interim periods. Capacity utilization dropped from 85.8 percent in 1997 to 78.8 percent in 1999. Korean producers reported that 47.2 percent of their counters were sold on their home market in 1999 compared with the 17.6 percent exported to the United States. Exports to the United States increased, however, by 1,011.3 percent from 1997 to 1999 and 515.1 percent in the interim periods (table VII-3).

² None of the Korean producers reported manufacturing scanners during the period for which data were collected. Only *** projected producing scanners in 2001 (table VII-4).

³ Shinsung and Plus Banking's postconference brief, p. 1.

⁴ Shinsung and Plus Banking's postconference brief, p. 9. Respondents do not describe what the differences are between the low-range and mid-range models being exported by the Korean producers.

Table VII-3

Counters: Korean production capacity, production, shipments, and inventories, 1997-99, January-March 1999, January-March 2000, and projected 2000-01

Item	Actual experience					Projections	
	1997	1998	1999	January-March		2000	2001
				1999	2000		
Quantity (units)							
Capacity	14,050	23,000	23,000	9,500	11,000	24,000	26,000
Production	12,055	15,915	18,113	2,846	5,220	21,487	23,790
End of period inventories	228	2,051	1,110	636	745	527	617
Shipments:							
Internal consumption	0	1	27	2	4	40	20
Home market	10,187	4,969	8,992	1,454	3,143	11,060	11,500
Exports to--							
The United States	301	2,213	3,345	152	928	4,400	4,400
All other markets	1,497	6,909	6,690	2,430	1,274	6,600	7,800
Total exports	1,798	9,122	10,035	2,582	2,202	11,000	12,200
Total shipments	11,985	14,092	19,054	4,038	5,349	22,100	23,720
Ratios and shares (percent)							
Capacity utilization	85.8	69.2	78.8	30.0	47.5	89.5	91.5
Inventories to production	1.9	12.9	6.1	5.6	3.6	2.5	2.6
Inventories to total shipments	1.9	14.6	5.8	3.9	3.5	2.4	2.6
Share of total quantity of shipments:							
Internal consumption	0.0	(¹)	0.1	(¹)	0.1	0.2	0.1
Home market	85.0	35.3	47.2	36.0	58.8	50.0	48.5
Exports to--							
The United States	2.5	15.7	17.6	3.8	17.3	19.9	18.5
All other markets	12.5	49.0	35.1	60.2	23.8	29.9	32.9
All export markets	15.0	64.7	52.7	63.9	41.2	49.8	51.4
¹ Less than 0.05 percent.							
Note.--Because of rounding, figures may not add to the totals shown.							
Source: Compiled from data submitted in response to Commission questionnaires.							

Table VII-4

Scanners: Korean production capacity, production, shipments, and inventories, 1997-99, January-March 1999, January-March 2000, and projected 2000-01

Item	Actual experience					Projections	
	1997	1998	1999	January-March		2000	2001
				1999	2000		
Quantity (units)							
Capacity	0	0	0	0	0	0	***
Production	0	0	0	0	0	0	***
End of period inventories	0	0	0	0	0	0	***
Shipments:							
Internal consumption	0	0	0	0	0	0	***
Home market	0	0	0	0	0	0	***
Exports to--							
The United States	0	0	0	0	0	0	0
All other markets	0	0	0	0	0	0	***
Total exports	0	0	0	0	0	0	***
Total shipments	0	0	0	0	0	0	***
Capacity utilization	0	0	0	0	0	0	***
Inventories to production	0	0	0	0	0	0	***
Inventories to total shipments	0	0	0	0	0	0	***
Share of total quantity of shipments:							
Internal consumption	0	0	0	0	0	0	***
Home market	0	0	0	0	0	0	***
Exports to--							
The United States	0	0	0	0	0	0	***
All other markets	0	0	0	0	0	0	***
All export markets	0	0	0	0	0	0	***
Note.—Because of rounding, figures may not add to the totals shown.							
Source: Compiled from data submitted in response to Commission questionnaires.							

THE INDUSTRY IN THE UNITED KINGDOM

De La Rue, PLC is the sole producer of counters and scanners in the United Kingdom. Besides the firm's U.K. facility, De La Rue also owns a subsidiary in the United States in Watertown, WI.⁵ De La Rue splits its production of counters and scanners between the U.K. facility and the U.S. facility in order to supply worldwide demand for its range of products.⁶ De La Rue, PLC estimated that counters and scanners represent *** percent of its overall business. Until 1998, De La Rue, PLC only produced counters in the United Kingdom. After transferring its scanner production from the Watertown, WI facility, De La Rue, PLC produced both counters and scanners for export. According to De La Rue, PLC officials, however, scanner production is due to be sent back to the United States in September 2000.

De La Rue, PLC's production of counters decreased by *** percent during 1997-99 and by *** percent during the first quarter of 2000 (table VII-5). Capacity utilization declined to *** percent in 1999 from *** percent in 1997. Exports to the United States increased during the period for which data were collected, growing by *** percent from 1997 to 1999 before falling by *** percent in the interim periods. Even with the recent growth, exports to the United States only constituted *** percent of total shipments from De La Rue, PLC in 1999 and *** percent in the first quarter of 2000. The large majority of De La Rue, PLC's production is exported to ***, which accounted for *** percent of its total shipments in 1999.

Production of scanners increased by *** percent from 1998 to 1999 and by *** percent in the first quarter of 2000 (table VII-6). Exports to the United States increased by *** from 1998 to 1999 and *** percent in the interim period. However, exports are forecasted to cease entirely after September 2000.

Table VII-5

Counters: U.K. production capacity, production, shipments, and inventories, 1997-99, January-March 1999, January-March 2000, and projected 2000-01

* * * * * * *

Table VII-6

Scanners: U.K. production capacity, production, shipments, and inventories, 1997-99, January-March 1999, January-March 2000, and projected 2000-01

* * * * * * *

U.S. INVENTORIES OF PRODUCT FROM CHINA, KOREA, AND THE UNITED KINGDOM

Inventories held by U.S. importers of merchandise from China, Korea, the United Kingdom, and other sources are shown in tables VII-7 and VII-8. Importers' inventories of counters from China declined by *** percent during 1997-99 before rising again by *** percent in the interim periods. Likewise, the ratio of imports to shipments declined before rising significantly, by *** percentage points, in the first quarter of 2000. Inventories from Korea grew from *** in 1997 to *** in 1999 before rising

⁵ De La Rue purchased Brandt in 1995 and has been producing counters and scanners at that facility since that time.

⁶ In September 1998, De La Rue moved production of its multi-pocket scanner from the United States to the United Kingdom in order to supply international sales more efficiently. However, the firm will be moving this production line back to the United States in September 2000.

by *** percent in the interim periods. The ratio of inventories to shipments fell, however, from *** percent in first quarter 1999 to *** percent in 2000. Inventories of counters from the United Kingdom remained flat throughout the period while the ratio of inventories to shipments declined by roughly *** percentage points.

Table VII-7

Counters: U.S. importers' end-of-period inventories of imports, 1997-99, January-March 1999, and January-March 2000

Item	Calendar year			January-March	
	1997	1998	1999	1999	2000
Imports from China:					
Inventories (<i>units</i>)	***	***	***	***	***
Ratio to imports (<i>percent</i>):	***	***	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>):	***	***	***	***	***
Imports from Korea:					
Inventories (<i>units</i>)	***	***	***	***	***
Ratio to imports (<i>percent</i>):	***	***	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>):	***	***	***	***	***
Imports from the United Kingdom:					
Inventories (<i>units</i>)	***	***	***	***	***
Ratio to imports (<i>percent</i>):	***	***	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>):	***	***	***	***	***
All other imports:					
Inventories (<i>units</i>)	***	***	***	***	***
Ratio to imports (<i>percent</i>):	***	***	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>):	***	***	***	***	***
Total imports:					
Inventories (<i>units</i>)	2,647	3,105	2,973	1,609	3,492
Ratio to imports (<i>percent</i>):	***	***	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>):	***	***	***	***	***
¹ Not applicable.					
Note.--Totals may not add because of rounding.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Inventories of scanners from the United Kingdom, the only subject exporter of the product, increased by *** percent from 1998 to 1999 before falling by *** percent during the interim periods. The ratio of inventories to shipments remained relatively flat in 1998 and 1999 before slipping to *** percent in the first quarter of 2000. However, this represented a decline from the first quarter of 1999 when the ratio was *** percent.

Table VII-8

Scanners: U.S. importers' end-of-period inventories of imports, 1997-99, January-March 1999, and January-March 2000

Item	Calendar year			January-March	
	1997	1998	1999	1999	2000
Imports from China:					
Inventories (<i>units</i>)	0	0	0	0	0
Ratio to imports (<i>percent</i>):	(¹)	(¹)	(¹)	(¹)	(¹)
Ratio to U.S. shipments of imports (<i>percent</i>):	(¹)	(¹)	(¹)	(¹)	(¹)
Imports from Korea:					
Inventories (<i>units</i>)	0	0	0	0	0
Ratio to imports (<i>percent</i>):	(¹)	(¹)	(¹)	(¹)	(¹)
Ratio to U.S. shipments of imports (<i>percent</i>):	(¹)	(¹)	(¹)	(¹)	(¹)
Imports from the United Kingdom:					
Inventories (<i>units</i>)	***	***	***	***	***
Ratio to imports (<i>percent</i>):	***	***	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>):	***	***	***	***	***
All other imports:					
Inventories (<i>units</i>)	***	***	***	***	***
Ratio to imports (<i>percent</i>):	***	***	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>):	***	***	***	***	***
Total imports:					
Inventories (<i>units</i>)	***	***	***	***	***
Ratio to imports (<i>percent</i>):	***	***	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>):	***	***	***	***	***
¹ Not applicable.					
Note.--Totals may not add because of rounding.					
Source: Compiled from data submitted in response to Commission questionnaires.					

APPENDIX A
FEDERAL REGISTER NOTICES

FOR FURTHER INFORMATION CONTACT: Mr. Don Young, Assistant Area Manager, Yuma Area Office, Bureau of Reclamation, 7301 Calle Agua Salida, P.O. Box D, Yuma, Arizona 85366.

SUPPLEMENTARY INFORMATION: On November 17, 1988, Public Law 100-675 authorized the Secretary of the Interior to line the Coachella Canal or to recover seepage from the canal using construction funds from California water agencies entitled to the use of Colorado River water. A DEIS/DEIR was prepared for this project after public scoping meetings were held in 1988, 1989 and 1992 to identify issues, develop alternatives and provide information to the public on the project plan. In addition, Reclamation chaired various interagency work groups to evaluate project effects, develop alternatives and identify mitigation measures. Based upon this public/agency input, four alternatives were developed for this project: (1) Conventional lining, (2) underwater lining, (3) construction of a parallel canal, and (4) the no action alternative. The DEIS/DEIR for the project was completed and circulated to other government agencies, interested parties, and the public for review and comment from January 11 to March 15, 1994. However, following the public involvement process, the DEIS/DEIR was not revised to produce a FEIS/FEIR because funding was not available for the project.

California has now provided appropriated funds to finance the lining of the remaining unlined portions of the Coachella Branch of the All American Canal. The environmental analysis for this project will be updated to evaluate the status of resources since the original DEIS/DEIR was prepared. Since the alternatives have not changed for this project, further scoping is not required. Substantive comments received during the first public review of the document will be evaluated and incorporated into the revised DEIS/DEIR. The revised DEIS/DEIR will be distributed to the public and interested agencies/cooperators for a 60-day review and comment period. A Notice of Availability will be published when the revised DEIS/DEIR is available for public review and comment, and a public hearing has been scheduled.

The Coachella Canal delivers an average of 300,000 acre-feet of Colorado River water each year to the Coachella Valley Water District (CVWD), situated on the north end of the Salton Sea. The canal begins at a turnout on the All American Canal near the international boundary with Mexico and runs through the desert, east of the Salton Sea, before

it enters the irrigated area of the CVWD. The canal was excavated through desert soils in the 1940's and was placed in operation as a partially lined and unlined canal in 1948.

The first 49-mile section of the canal, which runs through the sandy soil of the East Mesa, had especially high leakage; consequently it was lined in 1980 to conserve water pursuant to Title I of the Colorado River Basin Salinity Control Act (Public Law 93-320). The canal was "lined" by constructing a new canal parallel to the existing canal and connecting the new canal to existing concrete structures. The last 37 miles of the canal were lined when the canal was originally constructed.

The intervening section of canal was constructed in a mixture of gravel and clay soils. The rate of seepage from this section was not as high as in the first 49 miles, so lining was deferred. This section contains 33.4 miles of unlined canal (between siphons 7 and 14 and siphons 15 and 32) that are proposed for lining by this project. Between siphons 14 and 15, the canal was lined experimentally in 1991. The length of unlined canal does not include the lengths of the pipe siphons (wash crossings and rail road crossings), which are not proposed for replacement.

Anyone interested in more information concerning the Coachella Canal Lining Project should contact Mr. Young as provided above.

Dated: July 18, 2000.

Robert W. Johnson,
Regional Director.

[FR Doc. 00-18707 Filed 7-24-00; 8:45 am]
BILLING CODE 4310-MN-P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-885-887 (Preliminary)]

Desktop Note Counters and Scanners From China, Korea, and the United Kingdom

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping investigations and scheduling of a preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigations Nos. 731-TA-885-887 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially

injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China, Korea, and the United Kingdom of desktop note counters and scanners, provided for in subheading 8472.90.9520 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by August 31, 2000. The Commission's views are due at the Department of Commerce within five business days thereafter, or by September 8, 2000.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

EFFECTIVE DATE: July 17, 2000.

FOR FURTHER INFORMATION CONTACT: Jozlyn Kalchthaler (202-205-3457), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>).

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to a petition filed on July 17, 2000, by Cummins-Allison Corp., Mt. Prospect, IL.

Participation in the investigations and public service list.—Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. 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 investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the *Federal Register*. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on August 7, 2000, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Jozlyn Kalchthaler (202-205-3457) not later than August 3, 2000, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before August 10, 2000, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

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

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: July 19, 2000.
By order of the Commission.

Donna R. Koehnke,
Secretary.

[FR Doc. 00-18733 Filed 7-24-00; 8:45 am]
BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-624-625 (Review)]

Helical Spring Lock Washers From China and Taiwan

AGENCY: United States International Trade Commission.

ACTION: Scheduling of full five-year reviews concerning the antidumping duty orders on helical spring lock washers from China and Taiwan.

SUMMARY: The Commission hereby gives notice of the scheduling of full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty orders on helical spring lock washers from China and Taiwan would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

EFFECTIVE DATE: July 11, 2000.

FOR FURTHER INFORMATION CONTACT: Valerie Newkirk (202-205-3190), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the

Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>).

SUPPLEMENTARY INFORMATION:

Background.—On February 3, 2000, the Commission determined that responses to its notice of institution of the subject five-year reviews were such that full reviews pursuant to section 751(c)(5) of the Act should proceed (65 FR 7890, February 16, 2000). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements are available from the Office of the Secretary and at the Commission's web site.

Participation in the reviews and public service list.—Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in these reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the reviews need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the reviews. A party granted access to BPI following publication of the Commission's notice of institution of the reviews need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report.—The prehearing staff report in the reviews will be placed in the nonpublic record on November 8, 2000, and a public version will be issued thereafter, pursuant to section 4 207.64 of the Commission's rules.

DEPARTMENT OF COMMERCE**International Trade Administration**

[A-570-861, A-580-845, A-412-819]

Initiation of Antidumping Duty Investigations: Desktop Note Counters and Scanners From the People's Republic of China, the Republic of Korea and the United Kingdom

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

EFFECTIVE DATE: August 11, 2000.

FOR FURTHER INFORMATION CONTACT:

Craig Matney or Gregory Campbell, Office 1, AD/CVD Enforcement, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-1778 or (202) 482-2239, respectively.

Initiation Of Investigation*The Applicable Statute and Regulations*

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department of Commerce's ("Department") regulations are to 19 CFR Part 351 (1999).

The Petitions

On July 17, 2000, the Department received petitions filed in proper form by Cummins-Allison Corporation, hereinafter referred to as "the petitioner." The Department received information supplementing the petitions throughout the initiation period.

In accordance with section 732(b) of the Act, the petitioner alleges that imports of desktop note counters and desktop note scanners from the People's Republic of China ("PRC"), the Republic of Korea ("Korea") and the United Kingdom ("U.K.") are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring or threaten to injure an industry in the United States.

The Department finds that the petitioner filed these petitions on behalf of the domestic industry because it is an interested party as defined in section 771(9)(C) of the Act and it represents, at a minimum, the required proportion of the United States industry with respect to the antidumping investigations that it

has requested the Department to initiate (see *Determination of Industry Support for the Petition* section below).

Scope of Investigation

The products covered by these investigations are commonly referred to as desktop note counters ("counters") and desktop note scanners ("scanners"), whether assembled, partially assembled or unassembled, with or without operation-enabling software loaded. Counters and scanners are document handling machines that employ an electro-mechanical processing mechanism to accurately count currency bills, bank notes, coupons, script, or other value-based paper documents and to stack them in an organized fashion. The processing mechanism typically encompasses a feeder assembly from which documents are separated and introduced into the machine, a paper path through which the documents are fed, a transport mechanism, a sensing device located along the paper path that counts the documents, and a stacking location (or locations) that accepts the documents after counting and/or arranging them. Counters and scanners also have an integrated keypad, or keyboard, and a display panel. Both counters and scanners can incorporate a sensor device for detecting suspect (i.e., counterfeit) documents. Scanners have additional sensors, or scanning devices, that enable the machines to distinguish documents by denomination. Scanners and counters may consist of one or more stacker assemblies to accommodate bill sorting. The counters and scanners subject to these investigations are portable; they typically weigh less than 100 pounds and may be easily moved by hand from one location to another.

Specifically excluded from the scope of these investigations are counters and scanners that are too large to be considered portable, or desktop, which are typically designed for very high volume use in regional and headquarter vaults of commercial banks and central bank vaults. However, the simple attachment of weights, stands, wheels, or similar devices does not, by itself, remove an otherwise portable counter or scanner from the scope of these investigations. Other document and currency handling machines, such as currency wrappers, currency verifiers, bundle counters, coin-handling machines, bill-accepting devices used in vending machines, and ATM machines, also are excluded from the scope of these investigations.

Imports of counters and scanners are currently classifiable under subheading 8472.90.9520 of the Harmonized Tariff Schedule of the United States

("HTSUS"). Although HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.

During our review of the petitions, we discussed the scope with the petitioner to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations (62 FR 27323), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments within 20 calendar days of publication of this notice. Comments should be addressed to Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with interested parties prior to the issuance of the preliminary determinations.

Determination of Industry Support for the Petitions

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) At least 25 percent of the total production of the domestic like product, and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petitions have the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this

may result in different definitions of the domestic like product, such differences do not render the decision of either agency contrary to the law.¹

Section 771(10) of the Act defines the 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 under this subtitle." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

The domestic like product referred to in the petitions is the single domestic like product defined in the "Scope of Investigations" section above. No party has commented on the petitions' definition of the domestic like product, and there is nothing on the record to indicate that this definition is inaccurate. The Department, therefore, has adopted the domestic like product definition set forth in the petitions.

Moreover, the Department has determined that the petitions contain adequate evidence of industry support; therefore, polling is unnecessary (*see Initiation Checklist*, dated August 7, 2000 ("Initiation Checklist"), at Industry Support). The petitioner indicated that there may be one additional U.S. producer accounting for a "very small volume of subject merchandise." We attempted to contact the potential producer identified by the petitioner, but our attempts were unsuccessful. We have no knowledge of other domestic producers. Accordingly, the Department determines that these petitions are filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

Normal Value and Export Price

The following are descriptions of the allegations of sales at less than fair value upon which the Department based its decision to initiate these investigations. The petitioner, in determining normal value ("NV") for Korea and the U.K., relied upon price data contained in confidential foreign market research reports filed with the Department. At the Department's request, the petitioner arranged for the Department to contact the author of each report to verify the accuracy of the data, the methodology used to collect the data, and the

credentials of those gathering the market research.

The Department's discussions with the author of each market research report are summarized in separate memoranda entitled "*Memorandum to Case File*" *RE: Market Research Report*, dated August 7, 2000. The sources of data for the deductions and adjustments relating to home market ("HM") price, U.S. price, and factors of production are also discussed in the *Initiation Checklist*. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we may re-examine the information and revise the margin calculations, if appropriate.

PRC

Normal Value

The petitioner asserts that the Department considers the PRC to be a non-market economy country ("NME") and, therefore, constructed NV based on the factors of production ("FOP") methodology pursuant to section 773(c) of the Act. In previous cases, the Department has determined that the PRC is an NME. *See, e.g., Heavy Forged Hand Tools, Finished or Unfinished, With or Without Handles, From the People's Republic of China*, 64 FR 5770, 5773 (February 5, 1999). In accordance with section 771(18)(C)(i) of the Act, the NME status remains in effect until revoked by the Department. The NME status of the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product appropriately is based on FOP valued in a surrogate market economy country in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

In accordance with section 773(c)(4) of the Act, the petitioner valued FOP for counters, where possible, on reasonably available, public surrogate country data. Citing past Department practice, the petitioner used India as the surrogate country. Direct materials values were based on price quotes obtained from a market research firm. For those direct materials for which prices in India were unavailable, the petitioner based the surrogate value on its own costs. *See Initiation Checklist and Memorandum to Case File: Initiation Margin Calculations ("PRC calculation memorandum")* dated August 7, 2000.

Labor was valued using the regression-based wage rate for the PRC, in accordance with 19 CFR 351.408(c)(3). Electricity was valued using the petitioner's own experience regarding the energy required to produce one unit. For overhead, SG&A and profit, the petitioner applied rates derived from the publicly available annual report of an Indian producer of comparable merchandise, Methodex Systems Limited. Packing costs were calculated using the petitioner's own experience regarding packing materials and packing labor hours. The petitioner added U.S. direct selling expenses to NV. However, in accordance with the Department's normal NME methodology, we did not include this circumstance of sale adjustment in the margin calculations. *See Titanium Sponge from the Russian Federation, Notice of Final Results of Antidumping Duty Administrative Review*, 62 FR 48605 (September 16, 1997). The Department made several additional changes to the petitioner's calculation of NV, as discussed in the *PRC calculation memorandum*.

Export Price and Constructed Export Price

The petitioner identified two companies, Dong Bo and Toyocom, that produce subject merchandise in the PRC. According to the petitioner, Dong Bo sells subject merchandise directly to unaffiliated customers in the United States, whereas Toyocom sells subject merchandise through an affiliated reseller. For Dong Bo, the petitioner based export price ("EP") on price quotes for Dong Bo counters obtained from a U.S. distributor. To calculate EP, the petitioner deducted from the price quote a distributor's gross margin (*i.e.*, distributor mark-up) and movement expenses (ocean freight, FOB charges, delivery charges, document and handling charges, clearance charges, insurance costs, and U.S. Customs duty). For Toyocom, the petitioner based constructed export price ("CEP") on seven price quotes for Toyocom counters obtained from unaffiliated U.S. distributors. To calculate CEP, the petitioner deducted from the price quotes, in addition to the expenses listed above for the calculation of EP for Dong Bo, direct and indirect selling expenses, and CEP profit. The Department recalculated the distributor's gross margin, indirect selling expenses and imputed credit expenses using more contemporaneous and product-specific data from the financial statements of the three U.S. office equipment distributors. *See Initiation Checklist and PRC calculation memorandum*.

¹ *See Algoma Steel Corp. Ltd., v. United States*, 688 F. Supp. 639, 642-44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32380-81 (July 16, 1991).

Based on comparisons of EP, or CEP, to NV, calculated in accordance with section 773(c) of the Act, the estimated dumping margins for counters and scanners from the PRC range from 66.44 percent to 354.34 percent.

Korea

Normal Value

The petitioner identified five producers of counters in Korea, two of which were found to export subject merchandise to the United States. The petitioner obtained home market pricing data for Plus Banking Machine Company ("Plus") and Shinsung Electronics Company, Ltd. ("Shinsung"), two producers/exporters of counters in Korea. However, because the petitioner was unable to obtain U.S. price quotes for Shinsung, it based NV on the HM price quotes from Plus for models identical to those offered for sale in the United States. To calculate NV, the petitioner made the following adjustments to the price quotes: (1) deducted HM imputed credit expenses and HM packing expenses; and (2) added U.S. imputed credit expenses and U.S. packing expenses.

The Department adjusted the petitioner's calculation of the U.S. imputed credit expense based on more contemporaneous and product-specific information (see *Initiation Checklist*). Additionally, although Plus sells counters directly to end users in the home market while selling to distributors in the U.S. market, the petitioner was unable to quantify any adjustment for the differences in the level of trade between the two markets.

Export Price

The petitioner based EP on price quotes for two models of Plus counters obtained from several unaffiliated U.S. distributors. To calculate EP, the petitioner deducted distributor's gross margin and movement expenses (specifically, ocean freight, FOB charges, delivery charges, document and handling charges, clearance charges, insurance charges, and customs duties). The Department recalculated distributor's gross margin, indirect selling expenses and imputed credit expenses using more contemporaneous and product-specific data contained in the financial statements of the three U.S. office equipment distributors. See *Initiation Checklist and Memorandum to Case File: Initiation Margin Calculations ("Korea calculation memorandum")*.

Based on comparisons of EP to NV, calculated in accordance with section 773(a) of the Act, the estimated

dumping margins for counters and scanners from Korea range from 0 percent to 66.43 percent.

United Kingdom

Normal Value

The petitioner identified De La Rue Cash Systems ("De La Rue") as the sole producer of counters and scanners in the U.K. Therefore, the petitioner based NV on HM price quotes for sales of counters and scanners obtained directly from De La Rue. To calculate NV, the petitioner deducted from the price quotes foreign inland freight expenses, imputed credit expenses, HM packing expenses, and indirect selling expenses. The petitioner then made an adjustment for the difference in merchandise to account for certain features of the U.K. model that were absent from the U.S. comparison model, where applicable. Finally, the petitioner added U.S. packing expenses to the price quote. Because De La Rue sells subject merchandise in the home market directly to end users, the petitioner did not make any adjustments for distributor mark-up.

Constructed Export Price

The petitioner used CEP as the basis for U.S. price because De La Rue sells counters and scanners in the U.S. to unaffiliated customers through a U.S.-based affiliated reseller (*i.e.*, De La Rue Cash Systems). To establish CEP, the petitioner obtained five price quotes for subject merchandise produced by De La Rue—three offers for sale from De La Rue Cash Systems to unaffiliated U.S. end-users and two offers for sale from an unaffiliated U.S. distributor to an unaffiliated U.S. end-user. The petitioner calculated CEP by deducting from the price quotes the unaffiliated distributor's gross margin (where applicable), movement-related expenses (specifically, ocean freight, FOB charges, delivery charges, document and handling charges, clearance charges, insurance charges, and customs duties), imputed credit expenses, indirect selling expenses, and CEP profit.

The Department recalculated distributor's gross margin, indirect selling expenses and imputed credit expenses using more contemporaneous and product-specific data contained in financial statements of the three U.S. office equipment distributors. See *Initiation Checklist and Memorandum to Case File: Initiation Margin Calculations ("U.K. calculation memorandum")*.

Based on comparisons of CEP to NV, calculated in accordance with section 773(a) of the Act, the estimated

dumping margins for counters and scanners from the U.K. range from 35.93 percent to 173.14 percent.

Fair Value Comparisons

Based on the data provided by the petitioner, there is reason to believe that imports of desktop note counters and desktop note scanners from the PRC, Korea, and the U.K. are being, or are likely to be, sold in the United States at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petitions allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV. The petitioner contends that the industry's injured condition is evident in the declining trends in operating profit, sales volumes, market share, prices, and availability of research and development resources. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, lost sales, and pricing information. We have assessed the allegations and supporting evidence regarding material injury and causation, and have determined that these allegations are properly supported by accurate and adequate evidence and meet the statutory requirements for initiation (see, *Initiation Checklist E.*)

Initiation of Antidumping Investigations

Based upon our examination of the petitions on counters and scanners, we have found that the petitions meet the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of counters and scanners from the PRC, Korea, and the U.K. are being, or are likely to be, sold in the United States at less than fair value. Unless postponed, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of each petition has been provided to the representatives of the PRC, Korea and the U.K. We will attempt to provide a copy of the public version of each petition to each exporter named in the petitions, as appropriate.

International Trade Commission Notification

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

Preliminary Determinations by the ITC

The ITC will preliminarily determine, no later than August 31, 2000, whether there is a reasonable indication that imports of counters and scanners from the PRC, Korea, and the U.K. are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination for any country will result in the investigation being terminated with respect to that country; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 777(i) of the Act.

Dated: August 7, 2000.

Troy H. Cribb,

Acting Assistant Secretary for Import Administration.

[FR Doc. 00-20445 Filed 8-10-00; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE**International Trade Administration**

[A-484-801]

Electrolytic Manganese Dioxide From Greece: Notice of Extension of Time Limit for Final Results of Antidumping Administrative Review

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

ACTION: Notice of extension of time limit for the final results of antidumping duty administrative review.

SUMMARY: The Department of Commerce is extending the time limit for the final results of the antidumping duty administrative review of the antidumping duty order on electrolytic manganese dioxide from Greece. The period of review is April 1, 1998, through March 31, 1999.

EFFECTIVE DATE: August 11, 2000.

FOR FURTHER INFORMATION CONTACT: Hermes Pinilla or Richard Rimlinger, Office of AD/CVD Enforcement 3, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-3477 or (202) 482-4477, respectively.

The Applicable Statute

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act. In addition, all citations to the Department's regulations are to 19 CFR part 351 (1998).

Background

The Department of Commerce (the Department) has received a request to conduct an administrative review of the antidumping duty order on electrolytic manganese dioxide from Greece. On May 20, 1999, the Department initiated this administrative review covering the period April 1, 1998, through March 31, 1999. On May 8, 2000, the Department published the preliminary results of review in the *Federal Register* (65 FR 26567).

Extension of Time Limit for Final Results

During this review complex issues have been raised regarding the viability of the foreign market and the comparability of the product sold in the exporting country. Due to the constraints on the resources available to analyze such issues appropriately, we require an extension. Therefore, because it is not practicable to complete this review within the time limits mandated by section 751(a)(3)(A) of the Act the Department is extending the time limit for the final results to be 180 days from the date of publication of the preliminary results. Therefore, our final results are due no later than November 6, 2000. This extension of the time limit is in accordance with section 751(a)(3)(A) of the Act and 19 CFR 351.213(h)(2).

Dated: August 4, 2000.

Richard W. Moreland,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 00-20440 Filed 8-10-00; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE**International Trade Administration**

[A-201-827]

Notice of Amended Final Determination of Sales at Less Than Fair Value and Antidumping Duty Order: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From Mexico

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

EFFECTIVE DATE: August 11, 2000.

FOR FURTHER INFORMATION CONTACT: John Brinkmann or Russell Morris, Group II, Office 6, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-2786.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department of Commerce ("the Department") regulations refer to the regulations codified at 19 CFR part 351 (April 1999).

Scope of Order

The products covered by this order are large diameter seamless carbon and alloy (other than stainless) steel standard, line, and pressure pipes produced, or equivalent, to the American Society for Testing and Materials ("ASTM") A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, and the American Petroleum Institute ("API") 5L specifications and meeting the physical parameters described below, regardless of application, with the exception of the exclusions discussed below. The scope of this order also includes all other products used in standard, line, or pressure pipe applications and meeting the physical parameters described below, regardless of specification, with the exception of the exclusions discussed below. Specifically included within the scope of this order are seamless pipes greater than 4.5 inches (114.3 mm) up to and including 16 inches (406.4 mm) in outside diameter, regardless of wall-thickness, manufacturing process (hot finished or cold-drawn), end finish A-8 (plain end, beveled end, upset end,

APPENDIX B
LIST OF WITNESSES

CALENDAR OF PUBLIC CONFERENCE

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

Subject: Desktop Note Counters and Scanners from China, Korea, and the United Kingdom

Invs. Nos.: 731-TA-885-887 (Preliminary)

Date and Time: August 7, 2000 - 9:30 a.m.

The conference in connection with these investigations was held in the Commission's Main Hearing Room, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

McDermott, Will, and Emery
Washington, DC
on behalf of

Cummins-Allison Corporation

Douglas Mennie, President, Cummins-Allison Corporation

William J. Jones, Chief Executive Officer, Cummins-Allison Corporation

Bruce Malashevich, Economist, Economist Consulting Services Inc.

David J. Levine--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:

Baker and McKenzie
Washington, DC
on behalf of

The Hedman Company

John Lindberg, President, F&E Hedman

James Kelley, Executive Vice President, The Hedman Company

Kevin M. O'Brien--OF COUNSEL

**In Opposition to the Imposition of
Antidumping Duties: (Continued)**

Sandler, Travis, & Rosenberg
Washington, DC
on behalf of

Scan Coin, Inc.; Scan Coin, Ltd.; Scan Coin Industries AB; China Taly Aviation Technologies Corporation; and Nanjing No. 5311 Factory

Per Lundin, President, Scan Coin, Inc.

Thomas E. Johnson)
Mark R. Ludwikowski) --OF COUNSEL

Ablondi, Foster, Sobin, & Davidow, P.C.
Washington, DC
on behalf of

De La Rue, PLC

Lisa Howard, Marketing Manager, Desktop Products, De La Rue Cash Systems, Inc.

David Foster)
Peter Koenig) --OF COUNSEL
Mitchell Dale)

Collier Shannon Scott
Washington, DC
on behalf of

Magner Corporation

Douglas R. Magee, Jr., Chairman of the Board and Chief Executive Officer, Magner Corporation

(Available for questions)

Robert Allexon, Vice President, Domestic Sales & Marketing, Magner Corporation

Jeffrey S. Beckington)
John M. Herrmann) --OF COUNSEL

**In Opposition to the Imposition of
Antidumping Duties: *(Continued)***

Akin, Gump, Strauss, Hauer, & Feld, L.L.P.
Washington, DC
on behalf of

Shinsung Electronics Company and Plus Banking Machines Company

(Available for questions)

Warren E. Connelly--OF COUNSEL

APPENDIX C
SUMMARY DATA

Table C-1

Counters: Summary data concerning the U.S. market, 1997-99, January-March 1999, and January-March 2000

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

Item	Reported data					Period changes			
	1997	1998	1999	January-March		1997-99	1997-98	1998-99	Jan.-Mar. 1999-00
				1999	2000				
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
United Kingdom	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
United Kingdom	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. shipments of imports from:									
China:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
United Kingdom:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	2,855	4,170	5,717	1,438	2,125	100.2	46.1	37.1	47.8
Value	2,090	2,807	3,334	940	1,362	59.5	34.3	18.8	44.9
Unit value	\$732	\$673	\$583	\$654	\$641	-20.3	-8.0	-13.4	-1.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Other sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-1--Continued

Counters: Summary data concerning the U.S. market, 1997-99, January-March 1999, and January-March 2000

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

Item	Reported data					Period changes			
	1997	1998	1999	January-March		1997-99	1997-98	1998-99	Jan.-Mar. 1999-00
				1999	2000				
U.S. producers:									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1) . .	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (units 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)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss) . .	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

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

(2) Not applicable.

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

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

Table C-2

Scanners: Summary data concerning the U.S. market, 1997-99, January-March 1999, and January-March 2000

* * * * *

Table C-3

Counters and scanners: Summary data concerning the U.S. market, 1997-99, January-March 1999, and January-March 2000

* * * * *

Table C-4

Counters: Summary data concerning the U.S. market (without DI), 1997-99, January-March 1999, and January-March 2000

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

Item	Reported data					Period changes			
	1997	1998	1999	January-March		1997-99	1997-98	1998-99	Jan.-Mar. 1999-00
				1999	2000				
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
CA producers' share (1)	***	***	***	***	***	***	***	***	***
DI producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
United Kingdom	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
CA producers' share (1)	***	***	***	***	***	***	***	***	***
DI producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
United Kingdom	***	***	***	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. shipments of imports from:									
China:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
United Kingdom:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	2,855	4,170	5,717	1,438	2,125	100.2	46.1	37.1	47.8
Value	2,090	2,807	3,334	940	1,362	59.5	34.3	18.8	44.9
Unit value	\$732	\$673	\$583	\$654	\$641	-20.3	-8.0	-13.4	-1.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Other sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-4--Continued
Counters: Summary data concerning the U.S. market (without DI), 1997-99, January-March 1999, and January-March 2000

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

Item	Reported data					Period changes			
	1997	1998	1999	January-March		1997-99	1997-98	1998-99	Jan.-Mar. 1999-00
				1999	2000				
U.S. producers:									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1) . .	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (units 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)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss) . . .	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

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

(2) Not applicable.

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

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

Table C-5

Scanners: Summary data concerning the U.S. market (without DI), 1997-99, January-March 1999, and January-March 2000

* * * * *

Table C-6

Counters and scanners: Summary data concerning the U.S. market (without DI), 1997-99, January-March 1999, and January-March 2000

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APPENDIX D

**EFFECTS OF IMPORTS ON PRODUCERS'
EXISTING DEVELOPMENT AND PRODUCTION
EFFORTS, GROWTH, INVESTMENT, AND
ABILITY TO RAISE CAPITAL**

Responses of U.S. producers to the following questions:

1. Since January 1, 1997, has your firm experienced any actual negative effects on its 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 desktop note counters and scanners from China, Korea, or the United Kingdom?

* * * * *

2. Does your firm anticipate any negative impact of imports of desktop note counters from China, Korea, or the United Kingdom?

* * * * *

