UNITED STATES TARIFF COMMISSION

CLEAR SHEET GLASS AND CLEAR PLATE AND FLOAT GLASS FROM JAPAN

Determination of Injury
in Investigations No. AA1921-69/70
Under the Antidumping Act, 1921,
As Amended

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UNITED STATES TARIFF COMMISSION

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UNITED STATES TARIFF COMMISSION
Washington

[AA1921-69/70]

GLASS FROM JAPAN

Determination of Injury

The Assistant Secretary of the Treasury advised the Tariff Commission on January 7, 1971, that clear plate and clear float glass from Japan is being, or is likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended, and that clear sheet glass from Japan is being, and is likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended. In accordance with the requirements of section 201(a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission instituted Investigations Nos. AA1921-69/70 to determine whether an industry in the United States is being, or is likely to be, injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Public hearings were held on February 24 and 25, 1971. Notice of the investigations and hearings was published in the Federal Register of January 30, 1971 (36 F.R. 1490).

In arriving at a determination in these cases, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearings, and all factual information obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

On the basis of Investigation No. AA1921-69, the Commission determined by a vote of 4 to 1 1/ that an industry in the United States is being, or is likely to be, injured or prevented from being established by reason of the importation of clear plate and float glass from Japan sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. On the basis of Investigation No. AA1921-70, the Commission determined by a vote of 4 to 1 1/ that an industry in the United States is being, or is likely to be, injured or prevented from being established by reason of the importation of clear sheet glass from Japan sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

1/ Commissioners Sutton, Clubb, Moore, and Young determined in the affirmative; Commissioner Leonard determined in the negative.

Statement of Reasons for Affirmative Determinations by
Commissioners Sutton, Clubb, Moore, and Young

In our opinion, an industry in the United States is being injured by reason of the importation of clear sheet glass from Japan which is being sold at less than fair value (LTFV) within the meaning of the Antidumping Act. Likewise, an industry is being injured by reason of the importation of clear plate and float glass from Japan which is being sold at less than fair value within the meaning of that Act. Hereinafter in this statement, all references to sheet glass and plate and float glass will be limited to clear glass, unless otherwise indicated.

The industries concerned

In making our determinations in these investigations, we have considered the injured industries to consist of the facilities in the United States producing sheet glass in the one investigation, and plate and float glass, in the other. Sheet glass currently is being produced in the United States by five firms at 12 establishments; the establishments are engaged exclusively, or almost so, in the manufacture of that product (both clear and colored). Plate and float glass currently are being produced in the United States by five companies in 11 establishments; these establishments are engaged predominantly in the manufacture of those products (both clear and colored).

Conditions of competition in the U.S. market

The markets in the United States for sheet glass and for plate and float glass have been sluggish since the mid-1960's. Although annual

U.S. consumption of each of those types of glass has fluctuated somewhat from year to year, it has generally contracted, rather than expanded, from the peak 1965 level. In 1970, for example, indices of apparent U.S. consumption (1965 = 100) stood at 91 for sheet glass and 86 for plate and float glass. Market demand for these types of flat glass is dependent in great part on the levels of residential and nonresidential construction and motor vehicle production. Since 1965, residential construction and motor vehicle production have been materially below the level set in that year; nonresidential construction has been a little above the 1965 level, but has generally declined since a 1966 peak. The stagnation in these end uses has in turn affected the markets for sheet glass and plate and float glass.

While demand for the types of glass considered here has been sluggish, the competition for sales of sheet glass and plate and float glass in the United States has intensified. Inasmuch as glass from one source is generally substitutable for that from another source, the competition in the marketplace has been evidenced to a marked degree by the discounting of prices. The domestic producers and the agents for the major foreign suppliers all publish prices at which they offer to sell glass. Until about 1967 the domestic producers were able to consistently sell at those prices. As competition became more severe, various suppliers of imported glass increasingly discounted the published prices; the domestic producers attempted to meet such discounts to the degree necessary to hold their customers. In 1967 the extent of selling below published prices by the domestic producers was moderate--about 2 percent of their total sales of sheet glass and the same percentage of their total sales of plate and float glass to nonautomotive markets. In 1970 about a fourth of all domestic sheet glass marketed in the United States, and about 15 percent of all domestic plate and float glass marketed to nonautomotive markets, was discounted below published prices. Moreover, a significant part of the imports of sheet glass and plate and float glass from Japan during this period was sold at LTFV.

Effect of imports of LTFV sheet glass from Japan

The Treasury found that the three Japanese manufacturers of sheet glass who were exporting to the United States in the period of its study (generally March to June 1969) were each selling sheet glass at less than fair value. In that period, LTFV sales were confined to window and heavy sheet glass; these two categories of sheet glass, however, account for the great bulk of U.S. consumption of all sheet glass. The dumping margins--the difference between the price for sale in the home market and that for sale to the United States--were large on heavy sheet glass; though generally smaller on window glass, they still were substantial. An appreciable share of the total shipments of sheet glass to the United States by each of the three firms during the period the Treasury's study were found to be sold at less than fair value.

In 1969 entries of window glass from Japan amounted to about 30 million pounds, and entries of heavy sheet glass, to almost 10 million pounds. About two-thirds was entered on the West Coast, and nearly all of the remainder at East and Gulf Coast ports, largely for sale in southeastern U.S. markets. The Japanese imports, many at LTFV, were significant factors in the supply of sheet glass on the West Coast and in the Southeastern States.

Data obtained by the Commission in the investigations indicate that Japanese sheet glass has in recent years consistently been sold in the U.S. market at discounted prices below the published prices of domestic glass. In 1969, the year of the Treasury's 4-month study, the discounted prices of window glass from Japan on the West Coast generally were about 14 percent below the published prices of domestic glass, and those of heavy sheet glass on the West Coast averaged 17 percent below the published prices of domestic glass. Discounts in southeastern United States appear to have been somewhat greater. The relationship of the dumping margins to the price discounts of Japanese sheet glass in the U.S. market varied. The dumping margin was less than the price discount in some instances, about equal in some, and greater in others. In virtually every instance, however, it is clear that the dumping margin, at the least, contributed materially to the ability of the Japanese supplier to sell at sharply discounted prices in the U.S. market.

By 1969 the domestic producers were extensively meeting, in whole or in part, the discounted prices of Japanese glass in an effort to maintain their volume of sales and to stem the inroads of Japanese glass in the U.S. market. In that year the domestic producers sold about 15 percent of their total shipments of sheet glass below their published prices, at an average discount of more than 10 percent. A large share of such discounting was done in an attempt to meet the prices of Japanese sheet glass on the West Coast and in the Southeastern States. Clearly, the LTFV imports of sheet glass from Japan have depressed prices of domestic sheet glass in the U.S. market.

Effect of imports of LTFV plate and float glass from Japan

The Treasury found that the three Japanese manufacturers of plate and float glass who were exporting to the United States in the period of its study (generally April through July 1969) were each selling plate and float glass at less than fair value. The LTFV margins varied rather widely, depending on the thickness, quality, and size of the piece of glass; most margins were substantial. In the 4-month period covered by the Treasury inquiry, about half of the aggregate shipments of plate and float glass by the three firms were determined to have been sold at less than fair value.

In 1969 entries of plate and float glass from Japan amounted to about 23 million square feet. About half was entered on the West Coast and two-fifths at East and Gulf Coast ports, largely for sale in southeastern U.S. markets. The Japanese glass is believed to have been predominantly for the glazing or mirror trade, rather than for use in motor vehicles. Some two-thirds of domestic shipments are for use in the production of motor vehicles; this business represents in many respects a distinct market--prices, quantities, and terms being negotiated between the motor vehicle manufacturers and the glass producers. The remaining markets--chiefly sales to the glazing and mirror trades, constitute those for which the imported and domestic plate and float glass vie. In those markets on the West Coast and in the Southeastern States, the Japanese imports were significant factors in the supply of plate and float glass.

Data obtained by the Commission in the investigations indicate that Japanese plate and float glass has in recent years consistently been sold in the U.S. market at discounted prices below the published prices of domestic glass. In 1969, the year of the Treasury's 4-month study, such discounted prices for plate and float glass from Japan were as much as 20 percent below the published prices of comparable domestic glass. The relationship of the dumping margins to the price discounts of Japanese plate and float glass in the U.S. market varied. The dumping margin in many instances was equal to or greater than the price discount; in some instances it was less than the price discount. In nearly all instances, however, it is clear that the dumping margin at least contributed materially to the ability of the Japanese suppliers to sell at discounted prices in the U.S. market.

As in their pricing of sheet glass, the domestic producers by 1969 were in many instances meeting, in whole or in part, the discounted prices of Japanese plate and float glass in an effort to maintain their volume of sales and to prevent further incursions of Japanese glass in the U.S. market. In that year the domestic producers sold about 10 percent of their total shipments of plate and float glass to nonautomotive markets at prices below their published prices; the average discount was about 14 percent. A large share of such discounting was done in the attempt to meet the prices of Japanese sheet glass on the West Coast and in the Southeastern States. Clearly, the LTFV imports of plate and float glass from Japan have depressed prices of domestic plate and float glass in the U.S. market.

Conclusion

The imports of sheet glass and plate and float glass from Japan, sold at less than fair value, have significantly contributed to the severe price discounting that has occurred on the West Coast and in the Southeastern States. Such discounting has forced the domestic producers into competitive price reductions, and caused them significant loss of sales income. The adverse effect on the domestic industries concerned has been more than de minimus. We determine, therefore, that, within the terms of the statute, an industry in the United States is being injured by reason of such LTFV imports.

Statement of Reasons for Negative Determinations of
Commissioner Leonard

In my opinion no industry in the United States is being or is likely to be injured, or prevented from being established, by reason of Japanese clear sheet glass and Japanese clear plate and float glass found by the Treasury to be, or likely to be sold in the United States at less than fair value (LTFV). The facts before us do not show any such injury; what the facts do show follows.

Market penetration

Imports of clear sheet glass from Japan, which supplied 3.5 percent of U.S. consumption of such glass in 1965, supplied a smaller share of U.S. consumption in subsequent years and in 1970 supplied only 2.1 percent. Imports of clear plate and float glass from Japan supplied from 1.5 to 5.8 percent of U.S. consumption of that type of glass in the years 1965 to 1970 (4.5 percent in the latter year).

In the sample studied by the Treasury, ranging from 71 to 91 percent of the three Japanese exporters' sales in the United States during 4 months in 1969, less than half of such sales were found to have been at LTFV. Consequently, the share of the U.S. market supplied by LTFV imports from Japan, if the sample is representative, was not more than 2 percent for sheet glass and not more than 3 percent for plate and float glass in any of the years 1965-70.

Published prices

The principal U.S. producers and importers of flat glass have two ways of adjusting their prices. They can change their published prices, or they can offer discounts where competition is keen. The latter method permits a degree of flexibility in special situations. If the published prices are generally too high, discounting will be more widespread. On occasion the producers and importers have also offered a published discount limited to a certain area; this is done in order to yield to local competitive pressures without changing the overall price structure. Such local pressures occur where the manufacturers' and importers' practice of absorbing freight gives one supplier an advantage over another because of a more favorable location and lower transportation costs.

The published price of a representative type of domestic sheet glass (19-ounce single-strength "B", over 50, but not over 60 united inches) increased by about 15 percent from May 1, 1966, to May 1, 1970, while the published price of identical Japanese glass (about 7 percent below the price of domestic glass) increased by 20 percent. The published price of glazing quality domestic plate or float glass (1/4 inch, specified size and pack) increased by 26 percent during the same period, while the published price of identical Japanese glass increased by 32 percent. (The differential between the price of U.S. and Japanese glass of this description narrowed from 8 to 3 percent.)

While the published prices of flat glass thus increased by 15 to 32 percent in a 4-year period, the average prices of all industrial commodities, as measured by the general wholesale price index, increased by only 11 percent. Obviously, no matter what causes and factors operated to prevent a further rise in the prices of glass, they did not succeed in "suppression" or "depression" of the prices.

Discounting

Discounting has been practiced in various places by certain domestic producers finding themselves with surplus stocks of particular types of glass, or seeking to enter new markets.

Discounting below published prices has been practiced by importers mainly on the West Coast and in the Southeastern States served by Atlantic and Gulf ports. Their ability to do so, apart from lower production costs in some of the exporting countries, stems from the advantage of cheap water transportation.

Hence, the data submitted by the domestic producers purporting to show that 7.3 percent of their sales of sheet glass, and 1.8 percent of their sales of plate and float glass in 1970 were effected at discounts averaging 12.3 and 15.3 percent, respectively, in order to meet Japanese competition, do not appear to reflect a greater degree of price competition than would be expected under the circumstances.

Discounting is not in itself reprehensible, nor does it result necessarily from dumping. Discounting below published prices to meet competition is not necessarily a harmful practice nor does it necessarily cause loss of sales or profits. Not all discounted sales are LTFV sales and vice versa.

The reported discounting attributed to Japanese competition in 1970 (the least favorable year reported) caused the revenue of the three domestic companies from sales of sheet glass to be 0. 8 percent less, and that from their sales of plate and float glass to be 0.3 percent less, than it would have been if all sales had been made at published prices. Similar data submitted by the U.S. industry on the discounting practiced to meet competition from all sources show that their revenue from sales of sheet glass in that year was 3.1 percent less, and that from sales of plate and float glass was 0.7 percent less, than it would have been if all sales had been made at published prices. From these data it is seen that not only was the deviation from published prices small, but also, the greater part of it was attributed to competitors other than the Japanese.

The inability to receive the published uniform delivered price from all sales of clear sheet glass and clear plate and float glass in every part of the United States and under all conditions can not be characterized as injury, and it is unrealistic to describe the difference between published prices and net realized prices as a loss.

Having claimed to be injured by the discounting of prices, and having claimed that (to a stated extent) the discounting was done to meet Japanese competition, the three U.S. producers taking part in this investigation proceed to make the further claim that the discounting done by the importers of Japanese glass was made possible by selling the glass at less than fair value. I cannot find that price discounting was harmful to the domestic industry, or that a distinction can be made between the Japanese selling at less than fair value and other foreign suppliers selling at the same discounts below published prices in certain areas.

Regional markets

Injury to an establishment or regional segment of an industry may constitute injury to the industry as a whole, but here the facts do not indicate injury, even in one locality. The two areas where imported Japanese glass is of some competitive significance are the West Coast and an area served by certain ports along the Atlantic and Gulf Coasts.

West Coast.--The more important of these two areas from the standpoint of the volume of sales of Japanese glass is the West Coast. The producers' and importers' longstanding practice of absorbing freight to destination has required the customers of the glass industry to pay, as a part of the price, the average freight to all destinations in the United States. The exception, until 1967, was the territory west of the Rockies, where customers had to pay the freight from Denver to their warehouses; this added an average of 7-1/2 percent to the price paid by Western customers and helped to make Japanese competition possible on the West Coast. Such competition began soon after World War II; the dimensions it achieved before PPG and LOF built their respective plants in California--which were greater than afterwards--were not attributed to dumping although import duties had been adjusted upwards on sheet glass in 1962 after a finding of injury resulting from trade-agreement tariff concessions. That finding of injury related to imports from various countries of which Japan was only one.

After Libbey-Owens-Ford opened a float glass plant at Lathrop, California, in 1964, and PPG Industries opened a sheet glass plant at

Fresno, in the same State, in 1967, a new competitive pattern developed on the West Coast, where most imported Japanese glass has been sold. American producers began to quote the same delivered prices on the West Coast as they quoted elsewhere in the United States. After LOF's initial production problems at Lathrop had been solved, its sales of clear plate and float glass in West Coast States increased considerably. After PPG opened its sheet glass plant at Fresno in 1967, its sales of sheet glass in those States increased substantially. In both cases the sales of competitors, whether domestic or Japanese, declined. It is true that the net prices realized in that area also declined, but should they not have declined when glass began to be produced locally?

The Antidumping Act is not intended to penalize normal import competition (conditioned by the regular import duties) or even to prevent sales at less than fair value unless such sales injure, are likely to injure, or prevent establishment of an industry in the United States. In this case, far from preventing the establishment of an industry, the imports found by the Treasury to be sold at LTFV were in large part (whether intentionally or not) involved in a losing struggle to retain as much as possible of a market (the West Coast) where two new glass plants had been established.

Atlantic and Gulf Coasts.--From the standpoint of the volume of Japanese clear sheet and clear plate and float glass imported, the southeastern area served by Atlantic and Gulf ports is considerably less important than the West Coast. The Japanese glass sold here has consisted largely of window glass, some heavy sheet glass and special assortments of mirror-grade float glass. In this area certain domestic manufacturers, as well as importers of other than Japanese glass have been active discounters. Here, as on the West Coast, transportation costs play a large part in price competition. Since the total sales of Japanese clear sheet glass in this local market barely exceeded $1 million in any of the years 1965-70, and the total sales of Japanese clear plate and float glass in this area did not quite reach $4 million (in 1969 and 1970)--a minute fraction of consumption in the area--it is evident that the sales at LTFV could not have been of a volume sufficient to cause injury, likelihood of injury, or prevention of establishment of an industry.

Summary

My principal reasons for a negative determination in this case are as follows:

1. Imports of clear sheet glass and clear plate and float glass from Japan supply too small a share of the U.S. market to cause or threaten injury to an industry or prevent it from being established. Sales of Japanese glass at LTFV have supplied an even smaller share of the U.S. market.

2. U.S. glass producers' published prices have increased more since 1966 than have manufacturers' prices in general. The published prices for Japanese glass have increased more than domestic producers' prices during the same period.

3. In 1970, the discounting attributed to Japanese competition (whether at LTFV or not) was not such as to undermine or lower the producers' published prices, applicable to the great majority of sales. Such discounting reportedly caused the three major U.S. producers' revenue from sales of clear sheet glass to be 0.8 percent less, and that from their sales of clear plate and float glass to be 0.3 percent less, than it would have been if all their sales had been at published prices. Nevertheless, by means of judicious discounting in limited geographical areas, their total revenue from sales was larger than it would have been if published prices had been adhered to without exception.

4. Discounting practiced by the three producers to meet competition from all sources caused their revenue from sales of clear sheet glass to be 3.1 percent less, and that from sales of clear plate and float glass to be 0.7 percent less, than it would have been if all sales had been made at published prices. Not only was the deviation from published prices small, but also, the greater part of it was attributed to competitors other than the Japanese.

5. The establishment of a float glass plant in California by LOF in 1964, and of a sheet glass plant in that State by PPG in 1967, threatened to deprive the Japanese of a share they had previously had of the West Coast market. Although net realized prices there were driven down by competition to a level below that prevailing in other parts of the United States, the new plants succeeded in gaining a

rapidly increasing share of the regional market while the share of competitors, both domestic and Japanese, declined.

6. The volume of sales of Japanese glass in the Southeastern States is smaller than that on the West Coast. Such glass supplies a minute fraction of consumption there. Consequently, any sales there of Japanese glass at LTFV could not have injured an industry or prevented it from being established.

7. Since by most appropriate measurements the competitive impact of Japanese glass in the United States (at LTFV or otherwise) has been declining rather than increasing, there is no likelihood of injury from this source.