

UNITED STATES TARIFF COMMISSION

DRYCLEANING MACHINERY FROM WEST GERMANY

**Determination of Injury
in Investigation No. AA1921-99
Under the Antidumping Act, 1921, as Amended**



**TC Publication 514
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UNITED STATES TARIFF COMMISSION

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[AA1921-99]

DRYCLEANING MACHINERY FROM WEST GERMANY

Determination of Injury

September 29, 1972

On June 29, 1972, the Tariff Commission received advice from the Treasury Department that drycleaning machinery from West Germany 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. In accordance with the requirements of Section 201 (a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission instituted investigation No. AA1921-99 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.

A public hearing was held on August 15 and 16, 1972. Notice of the investigation and hearing was published in the Federal Register of July 14, 1972 (37 F.R. 13840).

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

On the basis of its investigation, the Commission has unanimously determined ^{1/} that an industry in the United States is being injured

^{1/} Commissioner Young did not participate in the investigation.

by reason of the importation of drycleaning machinery from West Germany that is being or is likely to be sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Statement of Reasons of Chairman Bedell, Vice Chairman Parker,
Commissioner Leonard, and Commissioner Moore 1/

The imported drycleaning machinery that is the subject of this investigation includes machines equipped with a coin-metering device and those not so equipped. These imported machines, like those produced domestically, utilize a solvent to remove soils and stains from textile fabrics, clothing, or other made-up textile articles.

The injured domestic industry

In 1971, drycleaning machines were produced by 18 firms in the United States; fourteen of these firms produced units having capacities of 16 pounds and over per load. The bulk of the U.S. output of coin-operated units having load capacities of 16 pounds and over was supplied by firms which are predominantly manufacturers of non-coin-operated machines, whereas small capacity coin-operated units were made primarily by manufacturers of household-type washing machines.

We have determined that the domestic industry injured by the less than fair value (LTFV) imports herein considered consists of facilities

1/ Commissioner Ablondi concurs in the result.

in the United States used in the production of all types of drycleaning machines irrespective of their load capacities. 1/

Market penetration

The Treasury Department's investigation showed that about half of the drycleaning machines exported to the United States from West Germany during the period covered by its investigation were sold at LTFV. We find that the price advantage afforded by such sales in the United States at LTFV enabled West German exporters of drycleaning machines to make severe inroads into an already declining market.

The value of apparent U.S. consumption of drycleaning machines declined irregularly from \$16.3 million in 1968 to \$15.8 million in 1971 (a decline of 5 percent). This decline in consumption was largely attributable to the widespread use of the new wash-and-wear fabrics that do not require drycleaning and to the trend towards a less formal style of dress among young people.

During 1968-71 annual U.S. imports (including fair value imports) of all types and sizes of drycleaning machines from the two LTFV suppliers in West Germany ranged from 9 percent in 1969 to 19 percent in 1970 of the value of apparent U.S. consumption. A small decline in import penetration occurred in 1971 subsequent to the filing of the dumping complaint with the Treasury Department in March 1971.

1/ Vice Chairman Parker and Commissioner Moore note that the brunt of the injury to the domestic industry has been borne by those facilities used in the production of drycleaning machines having load capacities of 16 pounds and over.

The market penetration by LTFV imports is more than adequate to warrant an injury determination. Moreover, it should be noted that the data presented above are based on the reported dutiable value of the imported drycleaning machinery. If the wholesale value of the imports in the U.S. market (i.e., a value comparable to the wholesale value of domestic machines) was used in the foregoing computations, significantly higher penetration percentages would result.

Price suppression

In the presence of LTFV imports in the U.S. market, the prices realized by U.S. producers on their sales of drycleaning machines have been suppressed. Prices received by U.S. producers for the machines that were found by Treasury to have been sold at LTFV remained static or showed relatively insignificant increases during 1969-71, a period in which the manufacturing costs of these firms were increasing rapidly, and during which the wholesale price index for textile machinery increased by 12 percent. This price suppression has denied the U.S. producers an opportunity to offset increasing production costs and coupled with a decline in sales volume has led to the deterioration of profits which is discussed below.

The adverse effect of LTFV prices upon the level of prices in the U.S. market is borne out in the bid prices offered to the Veterans Administration during 1971 and 1972. On those procurements where direct domestic and foreign competition existed, the largest

LTFV importer underbid a domestic producer by margins ranging between 25 and 50 percent. Sales of some units to the Veterans Administration were found by Treasury to have been made at LTFV. The LTFV margin contributed substantially to the margin of underselling of those units.

Profit-and-loss experience of domestic producers

The Commission received profit-and-loss data from U.S. firms which accounted for about half of the total value of U.S. sales of all drycleaning machines produced in the United States during 1967-71. The firms supplying these data were predominantly producers of drycleaning machines having load capacities of 16 pounds and over. The data received indicate that the drycleaning machinery operations of those firms were profitable in 1967 and 1968; they had small losses in 1969, and loss ratios as a percent of net sales of 18 and 16 percent, respectively, in 1970 and 1971, the period of the Treasury's investigation. There can be no doubt that the price suppression resulting from the LTFV sales contributed materially to the lack of profitability in the industry.

Conclusion

In summary, the LTFV imports have enabled foreign suppliers to obtain a large share of the U.S. market for drycleaning machines (19 percent in 1970) during a period when overall U.S. demand for these machines was declining. The domestic industry's declining market

share, combined with price suppression--both resulting from LTFV sales--have adversely affected the financial health of the domestic industry. Accordingly, we have determined that an industry in the United States is being injured by reason of such LTFV imports.

