

1973 a

Copy 2

UNITED STATES TARIFF COMMISSION

**RADIO-PHONOGRAPH AND RADIO-PHONOGRAPH-
TAPE PLAYER COMBINATIONS
WORKERS OF THE
LOWELL, MASS., PLANT OF
SYMPHONIC ELECTRONIC CORP.,
SUBSIDIARY OF LYNCH CORP.**

**Report to the President
on Investigation No. TEA-W-178
Under Section 301(c)(2) of the Trade Expansion Act of 1962**



**TC Publication 564
Washington, D. C.
April 1973**

UNITED STATES TARIFF COMMISSION

Catherine Bedell, *Chairman*

Joseph O. Parker, *Vice Chairman*

Will E. Leonard, Jr.

George M. Moore

J. Banks Young

Italo H. Ablondi

Kenneth R. Mason, *Secretary*

Address all communications to

United States Tariff Commission

Washington, D. C. 20436

C O N T E N T S

	<u>Page</u>
Report to the President-----	1
Findings of the Commission-----	2
Views of Chairman Bedell and Vice Chairman Parker-----	3
Views of Commissioner Leonard-----	6
Views of Commissioner Young-----	7
Dissenting views of Commissioners Moore and Ablondi-----	9
Information obtained in the investigation:	
Description and uses-----	A-1
U.S. tariff treatment-----	A-2
U.S. producers-----	A-3
U.S. consumption and trade in radio-phonograph and radio-phonograph-tape player combinations-----	A-4
Lynch Corp-----	A-7
Symphonic Electronic Corp.:	
The firm-----	A-8
Lowell, Mass., plant and manufacturing operations-----	***
Shipments and exports-----	***
Purchases-----	***
Employment and man-hours-----	***
Cost comparisons-----	***
Price comparisons-----	***
Statistical appendix-----	A-20

STATISTICAL TABLES

1. Compact radio-phonograph combinations: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1968-72-----	A-21
2. Radio-phonograph combinations: U.S. rates of duty and imports for consumption, 1960-72-----	A-22
3. Symphonic Electronic Corp.: Shipments of domestically assembled radio-phonograph and radio-phonograph-tape player combinations and all other products, by type, 1968-72-----	***
4. Symphonic Electronic Corp.: Inventory of radio-phonograph and radio-phonograph-tape player combinations and all other products, by type, at year's end, 1968-72-----	***
5. Symphonic Electronic Corp.: Purchases from domestic and foreign sources of subassemblies, by type, of radio-phonograph and radio-phonograph-tape player combinations, 1968-72-----	***

CONTENTS

	<u>Page</u>
6. Symphonic Electronic Corp.: Average number of employees and of production and related workers, by product, 1968-72, and by months, July 1971-December 1972-----	***
7. Symphonic Electronic Corp.: Total man-hours and man-hours of production and related workers, total and by product, 1968-72, and by months, July 1971-December 1972-----	***
8. Symphonic Electronic Corp.: Cost breakdown of typical compacts produced in 1972 using costs incurred during July-December 1972 compared with prices of certain Japanese-produced compacts-----	***

REPORT TO THE PRESIDENT

U.S. Tariff Commission,
April 3, 1973.

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(2) of the act in response to a petition filed by a group of workers.

On February 2, 1973, the Tariff Commission received a petition from Mr. P. A. Janus, Controller, Symphonic Electronic Corp., filed on behalf of the workers and former workers of the Lowell, Mass., plant of the Symphonic Electronic Corp., a subsidiary of the Lynch Corp., New York, N.Y., for a determination of eligibility to apply for adjustment assistance. The Commission instituted the investigation, No. TEA-W-178, on February 8, 1973, to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with radio-phonograph and radio-phonograph-tape player combinations (of the types provided for in item 685.30 of the Tariff Schedules of the United States) produced by said firm are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of such firm or an appropriate subdivision thereof.

Public notice of the investigation was given by posting copies of the notice at the office of the Commission in Washington, D.C., at the

New York City office, and by publication in the Federal Register of February 13, 1973 (38 F.R. 4369). No public hearing was requested and none was held.

The information herein was obtained from Symphonic Electronic Corp., other domestic producers, importers, and distributors of the aforementioned articles, trade associations, the Lowell Employment Service Office, the petitioner and from the Commission's files.

Findings of the Commission

On the basis of its investigation, the Commission finds (Commissioners Moore and Ablondi dissenting) that articles like or directly competitive with radio-phonograph and radio-phonograph-tape player combinations manufactured by the Symphonic Electronic Corporation, Lowell, Mass., are not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of such firm.

Views of Chairman Bedell and Vice Chairman Parker

This investigation relates to a petition for adjustment assistance under section 301(c)(2) of the Trade Expansion Act of 1962 on behalf of the former workers of the Lowell, Mass., plant of Symphonic Electronic Corp., a subsidiary of Lynch Corp., New York, N.Y. The workers were engaged in the production of radio-phonograph and radio-phonograph-tape player combinations.

Under the Trade Expansion Act of 1962, four criteria must be met in order for an affirmative determination to be made. Those criteria are as follows:

- (1) Articles like or directly competitive with those produced by the workers concerned must be imported in increased quantities;
- (2) The increased imports must be a result in major part of concessions granted under trade agreements;
- (3) The workers concerned must be unemployed or underemployed, or threatened with unemployment or underemployment; and
- (4) The increased imports resulting from trade-agreement concessions must be the major factor causing or threatening to cause the unemployment or underemployment.

With respect to radio-phonograph and radio-phonograph-tape player combinations, it is our judgment that the fourth statutory criterion has not been met.

That criterion requires a determination that concession-generated imports must have been the major factor in causing or threatening the unemployment or underemployment of the workers involved. In this case,

we believe other factors have been more significant in the difficulties encountered by Symphonic and that it was these factors which resulted in the closing of the plant and the resulting unemployment.

The facts in this case are substantially different from those of other recent cases in which we made affirmative determinations. ^{1/} In the instant proceeding, Symphonic's difficulties were largely in the area of its production and sale of compact radio-phonograph and radio-phonograph-tape player combinations. The production of these articles by Symphonic consisted largely of the assembly of imported radios, record changers, and tape players (subassemblies) into finished articles. The compact cases into which these articles were assembled were made by Symphonic by cutting the grooves across a vinyl slab and bending it to form an enclosure. The labor cost in the value added by Symphonic was small in relation to the total value of the article, being approximately * * *. Symphonic was in competition with other domestic producers who likewise assembled the imported subassemblies into finished articles as well as those who sold finished imported compacts.

The evidence indicates that Symphonic's acquisition of subassemblies and their operations of the assembly of the finished article and the sales thereof were less efficient than their competitors in the domestic industry. * * *. A principal competitor, located almost adjacent to Symphonic, produced and marketed similar articles * * *.

^{1/} Radios, Radio-Phonographs, and Loudspeaker Systems: Workers of the Milroy, Pa., Plant of Fisher Electronics, Inc., Subsidiary of Emerson Electric Co., . . . Investigation No. TEA-W-176 . . . , TC Publication 561, pp. 5-10; Television Receivers, Radio Receivers, Phonographs and Radio Phonograph Combinations: Workers of Zenith Radio Corp., . . . Investigation No. TEA-W-177 . . . , TC Publication 562, pp. 3-8.

Furthermore, U.S. shipments of compact radio-phonographs by the domestic industry have increased every year in the last 5 years. The record shows that other competitors were able to import finished articles,

* * *

* * * * *

On the basis of the record in this proceeding, we are impelled to conclude that concession-generated imports were not the major factor causing the closing of Symphonic and the resulting unemployment.

Views of Commissioner Leonard

My determination in the instant investigation is negative because any increase in imports of articles like or directly competitive with radio-phonograph and radio-phonograph-tape combinations produced by the workers of Symphonic Electronic Corporation is not the result in major part of concessions granted under trade agreements. My reasoning in support of this determination on the above named electronic products is set forth in statements of my views in previous Commission reports. 1/

1/ High Fidelity Stereo and Related Equipment: H. H. Scott, Inc., Maynard, Massachusetts, . . . Investigation No. TEA-F-13 . . . , TC Publication 355, pp. 3-5; Paper Cones For Loudspeakers: Fibre Form Corporation, Columbia City, Indiana . . . Investigation No. TEA-F-16 and TEA-W-55 . . . , TC Publication 362, pp. 3-7; Television Receivers, Radios, and Phonographs: Former Workers at the Emerson Television and Radio Company, Jersey City, New Jersey . . . Investigation No. TEA-W-77 . . . , TC Publication 380, pp. 8-9; Phonographs and Radio-Phonograph and Other Combinations: Warwick Electronics, Inc., Zion, Ill., . . . Investigation No. TEA-W-96 . . . , TC Publication 409, pp. 5-6.

Views of Commissioner Young

My determination in the instant investigation is negative because any increase in imports of articles like or directly competitive with radio-phonograph and radio-phonograph-tape combinations produced by the workers of Symphonic Electronic Corporation is not the result in major part of concessions granted under trade agreements. My reasoning in support of this determination on the above named electronic products is set forth in statements of my views in previous Commission reports. 1/

The evidence in the instant case gives further support to my earlier conclusion respecting imports of such articles. Information * * *, shows that prices of like or directly competitive imported articles were * * *, that the imported articles would likely have been priced * * * below Symphonic's radio-phonograph-tape player combinations, even had no reductions in the duty occurred. This conclusively proves under these circumstances that increased imports were not caused in major part by concessions--as required by the statute--because even without the duty reductions,

1/ Radio, Radio-Phonographs, and Loudspeaker Systems: Workers of the Milroy, Pa., Plant of Fisher Electronics, Inc., Subsidiary of Emerson Electric Co., . . . Investigation No. TEA-W-176 . . . , TC Publication 561, p. ; Television Receivers, Radio Receivers, Phonographs and Radio Phonograph Combinations: Workers of Zenith Radio Corp., . . . Investigation No. TEA-W-177 . . . , TC Publication 562, p. .

prices of the imported articles would be substantially lower than those of Symphonic, regardless of what other factors might affect imports. It does not necessarily follow, however, as some of my colleagues have held, that where the cumulative reductions in duty are larger than the price differentials between domestic articles and like or directly competitive imported articles, such reductions resulting from trade agreements are always the major factor causing increased imports; other factors may far outweigh price differentials.

Dissenting Views of Commissioners Moore and Ablondi

In this case, we believe that an affirmative decision should be made. The articles formerly manufactured at the Lowell plant of Symphonic Electronic Corp. (Symphonic) were console and compact radio-phonograph and radio-phonograph-tape player combinations (combinations). The Lowell plant was the only manufacturing facility of the firm at which compact combinations were made. The plant closed in February 1973.

Combinations accounted for virtually all of the products manufactured in the Lowell plant during 1967-73 and compacts accounted for 54 percent or more of the value of shipments of combinations. It is our opinion, therefore, that the impact of imports of compact combinations on the operations of this plant is the primary consideration here.

U.S. imports of compacts increased, generally, from 1.6 million units and \$29.7 million in 1968 to 2.2 million units and \$87.5 million in 1972. Symphonic was unable to compete with the foreign imports although their manufacturing and assembly processes were made more efficient. * * *

Symphonic, like other domestic and foreign firms competing in the market for combinations, produced combinations to sell at prices specified by retailers. Contracts were won or lost on the basis of differentials of a few percentage points in the prices paid by retailers for

combinations. Clearly, the highly successful foreign firms could not have penetrated the U.S. market so thoroughly had not trade-agreement concessions reduced the rate of duty on foreign made combinations from 35 percent ad valorem to 6.5 percent ad valorem. Symphonic, in the face of such large tariff reductions, was forced to reduce its domestic manufacturing operations and then to cease manufacturing altogether, thereby terminating the employment of all of its workers.

We conclude, therefore, that the former workers at the Lowell plant of Symphonic Electronic Corp. meet the requirements of the Trade Expansion Act of 1962 to apply for adjustment assistance.

INFORMATION OBTAINED IN THE INVESTIGATION

Description and Uses

Radio-phonograph and radio-phonograph-tape player ^{1/} combinations (hereinafter referred to as combinations) are devices used principally in the home for entertainment purposes. Combinations may be contained in a console or consolette (designed, often on legs, to rest on a floor) or a compact case (designed, usually without legs, to rest on a table). Consoles are normally larger and heavier than compacts. The two types of combinations are generally called consoles and compacts. The chief subassemblies used in both consoles and compacts include the radio receivers, phonographs, and tape players. Consoles usually contain the speakers in the cabinet, whereas a compact generally operates with speakers mounted in containers separate from the compact.

The radio subassembly of a combination is a device consisting of a tuner (AM, AM/FM, or AM/FM/FM) and amplifier(s), that reproduces a sound signal transmitted via radio waves. The phonograph section consists of a record changer or turntable and electronic circuits to amplify the signal sensed by the cartridge located on the arm of the record changer or turntable. The tape player reproduces sound previously recorded on magnetic tape. A combination frequently uses the same electronic circuits to amplify or otherwise condition the signal from the radio, phonograph, and tape player.

^{1/} For purposes of this report, the term tape players includes tape recorders.

U.S. Tariff Treatment

Combinations were not specifically provided for in the Tariff Act of 1930. They were dutiable, however, under paragraph 353 at 35 percent ad valorem as "* * * articles suitable for producing, rectifying, modifying, controlling, or distributing electrical energy; * * *." Under the Tariff Schedules of the United States (effective September 1, 1963, combinations were made dutiable under item 685.30 at the rate of 13.75 percent ad valorem. The rate has been reduced through trade agreement concessions to 6.5 percent ad valorem effective January 1, 1972. The rate history is shown in the following table.

Rate history of radio-phonograph and radio-phonograph-tape player combinations: Effective date of U.S. rates of duty, June 18, 1930-Jan. 1, 1972

Effective date	Rate of duty	Authority
	Percent ad valorem	
June 18, 1930-----	35	Tariff Act of 1930.
Jan. 1, 1939-----	25	Bilateral trade agreement with United Kingdom.
Jan. 1, 1948-----	15	GATT ^{1/}
June 6, 1951-----	13.75	Do.
Jan. 1, 1968-----	12	Do.
Jan. 1, 1969-----	11	Do.
Jan. 1, 1970-----	9.5	Do.
Jan. 1, 1971 ^{2/} -----	8	Do.
Jan. 1, 1972-----	6.5	Do.

^{1/} General Agreement on Tariffs and Trade.

^{2/} An additional 10 percent import duty was imposed from Aug. 16, 1971, to Dec. 19, 1971 (Presidential Proclamations 4074 and 4098).

In addition to the fully dutiable imports entered under TSUS item 685.30 shown in the table above, some combinations are entered under TSUS item 807.00--which provides for imported articles assembled in whole or in part of U.S.-fabricated components. For imports qualifying under that provision, which has never been the subject of a trade-agreement concession, articles are dutiable only to the extent of the value added abroad; the value of the U.S.-fabricated components returned, so long as they are not further advanced than by assembly, is duty exempt under specified circumstances.

U.S. Producers

The number of U.S. producers of combinations declined from 27 in 1967 to 23 in 1971. In 1967, 13 of the producers manufactured both compacts and consoles and 14 manufactured only consoles. The corresponding numbers in 1971 were 15 and 8.

According to industry sources, the operations of U.S. producers have changed significantly since the mid-1960's. Formerly, the U.S. plants contained assembly lines where radios and phonographs were manufactured as an integral part of the production of a radio-phonograph combination. In recent years, however, U.S. plants have been used principally to assemble such units from radios and phonographs purchased from foreign manufacturers. Although data are not available to indicate trends, the value added in the manufacture of combinations in the United States is estimated to have diminished significantly as a result of this change in the method of operation.

With respect to the cabinets used in consoles, most U.S. producers produce their cabinets or procure them from domestic sources. Other U.S. manufacturers buy knocked-down cabinets abroad. Some export the chassis of the electronic subassemblies to Canada and Mexico for final assembly into consoles. The latter have used drawback to recover some of the duty paid for the electronic subassemblies previously imported. Generally, domestic producers of compact combinations make their own cabinets or procure them domestically.

According to Symphonic officials, U.S. producers who are major competitors are Morse Electro Phonics, Inc.; Capehart, Inc.; and Major Electronics Corp. Unlike Symphonic, those firms appear to be prospering. Morse increased net sales from \$15.9 million in 1968 to \$108.1 million in 1972 and net operating income from about \$900,000 to \$9.7 million. Major increased net sales from \$2.0 million in 1968 to \$11.1 million in 1972 and net operating income from \$28,000 to \$547,000. Capehart experienced net sales of * * *.

U.S. Consumption and Trade in Radio-Phonograph and Radio-Phonograph-Tape Player Combinations

While published data are available to show separately U.S. shipments of domestically produced compacts and consoles, the statistics available on U.S. imports and exports of combinations aggregate data for the two types. For the purpose of this investigation, however,

all U.S. imports and exports are assumed to be compacts. According to trade sources, consoles, which are heavy and large, are expensive to transport and freight charges virtually prohibit competitive international trade in those items.

Total U.S. consumption of combinations declined moderately from 1968 to 1971, but then jumped in 1972. Consumption of such articles decreased from 3.6 million units in 1968 to 3.3 million units in 1971, and then rose to about 3.7 million units in 1972. During that period, the consumption of consoles declined about 50 percent, while that of compacts increased about 51 percent, as shown in the following table.

Radio-phonograph combinations: U.S. apparent consumption
of compacts and consoles, 1968-72

(In thousands of units)

Year	Compacts	Consoles	Total
1968-----	1,875	1,699	3,574
1969-----	2,022	1,456	3,478
1970-----	1,953	1,266	3,219
1971-----	2,093	1,172	3,265
1972 <u>1/</u> -----	2,824	849	3,673

1/ Estimated by the U.S. Tariff Commission.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

The U.S. consumption of consoles has been supplied almost wholly by domestically assembled products. Consequently, domestic shipments of consoles have been about equivalent to the consumption of such articles shown above--dropping from about 1.7 million units in 1968

to an estimated 849,000 units in 1972. During that period, the value of domestic shipments declined about proportionately, from \$340 million in 1968 to about \$200 million in 1972. The average unit value of domestically produced consoles declined by about 23 percent in the past 5 years; such value amounted to \$147 per unit in 1972, compared with \$190 per unit in 1968. The decline in average unit value, despite increasing prices of given units during the 5-year period, reflecting the shift of domestic producers to somewhat less expensive models of consoles in recent years. U.S. exports of consoles are negligible.

While domestic producers supplied virtually the whole of the domestic market for consoles, imported compacts have accounted for the predominant share of the growing U.S. consumption of that type of combination. In terms of units, imports furnished 86 percent of U.S. consumption of compacts in 1968, 73 percent in 1971, and 78 percent in 1972 (table 1). U.S. imports of compacts increased, generally, from 1.6 million units in 1968 to 2.2 million units in 1972; shipments of domestic compacts rose from 283,000 units in 1968 to 650,000 units in 1972 (table 1). Thus, the domestic articles have accounted for a little larger share of U.S. consumption in 1971 and 1972 than in 1968. Concurrently, however, U.S. producers have made increasing use of imported subassemblies in the products shipped by them. U.S. exports of compacts rose from 19,000 units in 1968 to 39,000 units in 1972.

The unit values of domestic shipments and imports of compact combinations have both changed greatly in the period 1968-72. The average unit value of shipments of compacts by U.S. producers was halved in the 5 years, decreasing from \$135 in 1968 to \$77 in 1971 and 1972. This drop in unit values results from a major shift by domestic producers to lower priced models of compacts. The average unit value of imported compacts, meanwhile, doubled; such values (based on dutiable values in the foreign countries) increased from \$18 in 1968 to \$40 in 1972. Assuming that these values should be about doubled to reflect wholesale values in the United States, the imported compacts appear to have supplied largely the very low end of the market in 1968 (\$36 imported v. \$135 domestic), but to have averaged about the same as the domestic compacts in 1972 (\$80 imported, v. \$77 domestic).

The value of U.S. imports of combinations increased, irregularly, from \$8.6 million in 1960 to \$16.8 million in 1966 and then increased rapidly to \$87.5 million in 1972 (table 2). The applicable rate of duty was constant from 1960 through 1967 and then was reduced as a result of concessions granted in the Kennedy Round of trade negotiations.

Lynch Corp.

Lynch Corp., the parent firm of Symphonic Electronic Corp., maintains a headquarters in New York City, N.Y., and manufacturing operations in Anderson, Ind. Lynch, itself, produces automatic glass forming and packaging machinery. In addition to Symphonic, Lynch owns

the Cox Instrument Corp., Detroit, Mich., which specializes in the design and manufacture of test equipment and instruments for the aircraft, automotive, and aerospace industries. Symphonic is the only member of the Lynch group to produce consumer electronic products.

Total net sales of Lynch have declined in recent years from \$31.4 million in 1968 to \$26.0 million in 1971. Net sales for 1972 were

* * * based on the first 9 calendar months. * * *

Symphonic Electronic Corp.

The firm

Symphonic Electronic Corp. was incorporated in 1948 and from the outset manufactured consumer electronic products in Lowell, Mass. The firm was acquired in 1960 by Lynch Corp., but the operations of Symphonic have been virtually autonomous.

The firm specialized in combinations from its inception.

* * *

* * * * *

A-9 through A-19

*

*

*

*

*

*

*

STATISTICAL APPENDIX

Table 1.--Compact radio-phonograph combinations: 1/ U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1968-72

(Quantity in thousands of units; value in thousands of dollars)

Year	U.S. producers' shipments	Imports <u>2/</u>	Exports <u>2/</u>	Apparent consumption	Ratio (percent) of imports to consumption
Quantity					
1968-----	283	1,611	19	1,875	85.9
1969-----	392	1,658	28	2,022	82.0
1970-----	394	1,579	20	1,953	80.8
1971-----	589	1,531	27	2,093	73.1
1972-----	<u>3/</u> 650	2,213	40	2,824	78.4
Value					
1968-----	38,153	29,712	3,008	64,857	45.8
1969-----	44,071	36,313	3,819	76,565	47.4
1970-----	36,411	44,686	2,513	78,584	56.9
1971-----	45,204	53,616	3,657	95,163	56.3
1972-----	<u>3/</u> 50,000	87,467	5,706	131,761	66.4
Average unit value					
1968-----	\$135	\$18	\$158	<u>4/</u>	<u>4/</u>
1969-----	112	22	136	<u>4/</u>	<u>4/</u>
1970-----	92	28	126	<u>4/</u>	<u>4/</u>
1971-----	77	35	135	<u>4/</u>	<u>4/</u>
1972-----	77	40	146	<u>4/</u>	<u>4/</u>

1/ Radio-phonograph combinations may contain a tape player or a tape recorder.

2/ Imports and exports include a small amount of console radio-phonograph combinations. The effect on apparent consumption is believed to be small.

3/ Estimated by the U.S. Tariff Commission.

4/ Not applicable.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 2.--Radio-phonograph combinations: U.S. rates of duty and imports for consumption, 1960-72

Year	Rate of duty	Imports
	Percent ad valorem	1,000 dollars
1960-----	13.75	8,643
1961-----	13.75	12,940
1962-----	13.75	14,284
1963-----	13.75	11,282
1964-----	13.75	10,571
1965-----	13.75	11,890
1966-----	13.75	16,771
1967-----	13.75	25,731
1968-----	12.00	29,712
1969-----	11.00	36,313
1970-----	9.50	44,686
1971-----	8.00	53,616
1972-----	6.50	87,467

Source: Compiled from official publications of the U.S. Department of Commerce and the U.S. Tariff Commission.

Note.--Statistics for imports prior to 1960 were omitted because they include so many other electrical items along with radio-phonograph combinations as to be meaningless for the purposes of this table.

A-23 through A-28

*

*

*

*

*

*

*

