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UNITED STATES TARIFF COMMISSION

TELEVISION YOKES:
WORKERS OF THE WARRENSVILLE HEIGHTS
(CLEVELAND), OHIO, PLANT OF
PEMCO, INC.

Report to the President
on Worker Investigation No. TEA-W-199
Under Section 301(c)(2) of the Trade Expansion Act of 1962



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UNITED STATES TARIFF COMMISSION

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

REPORT TO THE PRESIDENT

U.S. Tariff Commission,
July 16, 1973.

To the President:

In accordance with section 301(f)(1) and section 301(f)(3) of the Trade Expansion Act of 1962 (TEA) (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section (c)(2) of that act in response to a petition filed on behalf of a group of workers.

On May 16, 1973, the International Brotherhood of Teamsters filed a petition for a determination of eligibility to apply for adjustment assistance on behalf of the then present and former hourly employees of the Warrensville Heights (Cleveland), Ohio, plant of Pemcor, Inc., engaged in the production of television yokes. The Commission instituted an investigation (TEA-W-199) on May 21, 1973, to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with television yokes (of the type provided for in item 685.20 of the Tariff Schedules of the United States (TSUS)) produced by Pemcor, Inc., are being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such company or an appropriate subdivision thereof.

Public notice of the investigation was given in the Federal Register (38 F.R. 13789) on May 25, 1973.

The information herein was obtained principally from questionnaires directed to officials of Pemcor, Inc., officials of other domestic producers of television yokes and officials of domestic producers of television receivers, from import specialists of the Bureau of Customs and officers of the Teamsters Union, from a field investigation, and the Commission's files.

Finding of the Commission

On the basis of its investigation, the Commission finds 1/ (Chairman Bedell and Commissioner Moore dissenting) that articles like or directly competitive with television yokes (of the type provided for in item 685.20 of the Tariff Schedules of the United States) produced by Pemcor, Inc., Westchester, Illinois, 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, unemployment or underemployment of a significant number or proportion of the workers of such firm, or an appropriate subdivision thereof.

1/ Commissioner Ablondi did not participate in the decision.

Considerations Supporting the Commission's Finding

In the instant case one of the four criteria necessary for an affirmative determination in worker cases under the Trade Expansion Act of 1962--that the increased imports of articles like or directly competitive with the article produced by the workers concerned must be a result in major part of concessions granted under trade agreements--is not satisfied. Our determination, therefore, is necessarily in the negative.

The only articles produced by the workers of the Warrensville Heights (Cleveland), Ohio, plant of Pemcor, Inc., in recent years have been color TV yokes. In our view only color TV yokes that are imported separately are like and directly competitive with those produced at the Cleveland plant. Imports of color television receivers or imports of color TV yokes incorporated in imported television receivers are not like and directly competitive with domestically produced color TV yokes. 1/

We have found that articles like or directly competitive with those made by the workers at Pemcor's Cleveland plant--that is color TV yokes imported separately--have been imported in increased quantities. The imports rose from 1.1 million units in 1968 to 4 million units in 1972. However, we have concluded that the increase is not a result in major part of concessions granted under trade agreements.

1/ For the reasoning behind this stand, see: Certain Variable Capacitors: All Star Products, Inc., Defiance, Ohio, . . . Inv. No. TEA-F-32 . . . , TC Publication 423, pp. 5-8; Loudspeakers: Workers of the Chicago, Ill., plant of Jensen Manufacturing Division, Pemcor, Inc., . . . Inv. No. TEA-W-158 . . . , TC Publication 522, pp. 6-10. Although Vice Chairman Parker did not participate in the All Star Products case, and did not find with Commissioners Leonard and Young in the Jensen case, he concurs with the views expressed herein as regards like and directly competitive products.

The rate of duty applicable to color TV yokes has been reduced from the statutory rate of 35 percent ad valorem to 5 percent ad valorem in 1972. The major concessions, however, accounting for three quarters of the total duty reduction, occurred more than two decades ago--in 1939, 1948, and 1951. Further reductions in duty, accounting for nearly 9 percent of the total duty reductions, occurred in 1956, 1957, 1958, and 1962. Overall, over 83 percent of the total reduction in duty occurred prior to the time that color TV yokes became articles of commercial significance (about the mid-1960's) and no marked increases in imports of color TV yokes followed on the heels of those duty reductions. The recent Kennedy Round concessions, which reduced the rate of duty applicable to color TV yokes by 1 percentage point per year, from 10 percent in 1967 to 5 percent in 1972, therefore, are the only trade-agreement concessions to have occurred since color TV yokes began to be manufactured and traded in commercial quantities.

It is our conclusion that, on the basis of the facts in this case, the current increases in imports were not attributable in major part to tariff concessions granted prior to the time that color TV yokes became commercially significant and that the tariff reductions that have occurred since that time have been much less important a factor in causing the increased imports than have other considerations. Some of these considerations are the costs of labor and overhead in the countries from which color TV yokes are imported as compared with such costs in the United States, the effect of special incentives on the part of governments of foreign countries to encourage the production of color TV yokes (among other articles) in such countries, and

the operation of item 807.00 of the Tariff Schedules of the United States (TSUS).

During the course of this investigation, the Commission received information on the costs of production of color TV yokes in the United States and in the countries from which the United States imports such articles. Such factors as the cost of labor, material, manufacturing overhead, other production costs, general and administrative expenses, import duties for the foreign-made products, shipping costs, and other costs were taken into account. The differential in labor costs, many times the savings in duty brought about by the Kennedy Round of trade-agreement concessions, along with the other factors enumerated herein, were more important in causing the increased imports of color TV yokes than were the trade-agreement concessions. For example, Pemcor projected an annual savings * * * in labor costs in its first year of production in Mexico, * * *. The projected duty savings resulting from Kennedy Round concessions on the same volume of imports amounts to * * * about a twelfth of the savings in labor costs.

Encouragement to locate plants abroad is given by many foreign governments. The Mexican Government has been especially vigorous in granting a great variety of economic incentives to firms that locate production facilities in the U.S.-Mexican border area of Mexico. These incentives can be quite effective in inducing production in Mexico. In fact, for some firms contacted, the savings in overhead costs of production resulting from the move to Mexico (including, but not limited

to, the savings resulting from the special incentives provided by the Mexican Government) were as much as four times greater than the savings in duty paid as a result of the Kennedy Round of trade-agreement concessions.

Over half of all U.S. imports of color TV yokes have been under TSUS item 807.00. That is, they contain U.S.-produced components shipped to Mexico or other countries and incorporated into the yokes there. The U.S.-produced components are exempt from duty under the provisions of TSUS item 807.00 when the yokes enter the United States. The provisions of item 807.00 have never been the subject of a trade-agreement concession. Yet, if imports under item 807.00 increased in order to compete with fully dutiable imports of color TV yokes which had increased as a result in major part of concessions granted under trade agreements, then this criterion of the statute could still be met. 1/ However, as we have stated in the foregoing portions of this statement, the increased imports of color TV yokes that are fully dutiable did not result in major part from concessions granted under trade agreements.

For the foregoing reasons we are unable to find that increased imports in this investigation are the result in major part of concessions granted under trade agreements, and thus we must make a negative determination.

1/ Piano Actions: Production and Maintenance Workers of the Rockford Plant of Wood & Brooks Co. . . . Inv. No. TEA-W-22 . . . , TC Publication 333, pp. 6-7.

Dissenting Views of Chairman Bedell and Commissioner Moore

On May 16, 1973, the International Brotherhood of Teamsters filed a petition for adjustment assistance under section 301(a)(2) of the Trade Expansion Act of 1962 on behalf of the hourly workers of the Warrensville Heights (Cleveland), Ohio, plant of Pemcor, Inc.

From 1968 to the present time the Cleveland plant has been engaged in the production of only one product--deflection yokes suitable for use with color television receivers (color TV yokes). In April 1973, production of color TV yokes like those produced at Cleveland began at Pemcor's plant at Matamoros, Mexico. Production there has increased each month since April and is scheduled to increase still more until the plant is operating at full capacity later in 1973. All of the color TV yokes produced at the Matamoros plant are for export to the United States. The last color TV yoke to be produced at the Cleveland plant will be assembled in July 1973.

Employment of production and related workers producing color TV yokes at the Cleveland plant increased each year from 1968 to 1972, reaching a high * * * in October 1972. Employment of such workers was * * * less, * * *, in April 1973 prior to the first layoff associated with the transfer of production to Mexico. In May and June * * * production and related workers were on the job but in July all of these workers are scheduled to be laid off.

The Trade Expansion Act of 1962 establishes four criteria to be met in order for an affirmative determination to be made in a worker case. These criteria are as follows:

- (1) An article like or directly competitive with an article 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) A significant number or proportion of the workers concerned must be unemployed or underemployed or threatened with unemployment; and
- (4) The increased imports resulting in major part from trade-agreement concessions must be the major factor in causing or threatening to cause the unemployment or underemployment.

Increased imports

It is abundantly clear that the first criterion is met. U.S. imports of color TV yokes, such as made by Pemcor, increased from 1.1 million units in 1968 to 4.0 million units in 1972. U.S. imports of color television receivers containing color TV yokes increased from 0.7 million units in 1968 to 1.3 million units in 1972. Further, imports from Mexico by * * * the chief competitor of Pemcor, rose from * * * 1970 to * * * 1972. Pemcor's imports rose from * * * April 1973 to * * * May 1972. The evidence that the first criterion is met is overwhelming.

In major part

The requirement that increased imports be due in major part to tariff concessions granted under trade agreements is also met. The U.S. rate of duty applicable to imports of color TV yokes was reduced from the statutory (1930) rate of duty of 35 percent ad valorem to 5 percent ad valorem by 1972 as a result of a number of concessions granted by the United States under trade agreements. This reduction in duty has had a marked effect on the amount of duty paid on the imported products and on the cost of such products when sold in the U.S. market.

The cost to [Pemcor's major U.S. customer] of one * * * yoke produced [by Pemcor's major competitor] in Mexico was * * * less than it would have been if it had been produced in the United States. However, in the absence of trade-agreement concessions, the Mexican yoke would have cost the customer * * * more than the yoke produced at [the competitor's U.S.] * * * plant.

Although [Pemcor's major competitor] * * * was also able to save substantial sums of money by making use of the provisions of TSUS item 807.00 which provides a duty exemption for U.S. goods returned as parts of articles assembled abroad * * *, the savings by reason of such a duty exemption is less than that given by trade-agreement concessions.

* * *

Unemployment

The third criterion for an affirmative determination--that the workers producing the like or directly competitive article must be unemployed or underemployed--has been satisfied. All of the production and related workers at the Cleveland, Ohio, plant were involved in the assembly of color TV yokes of the type used in the production of Zenith television receivers. Employment at Cleveland rose spectacularly during the period 1968-72. * * *. Employment began to decline sharply in April 1973, * * *. All of the remaining * * * workers are scheduled to be laid off by the end of July 1973.

Major factor

The final requirement is that imports resulting in major part from tariff concessions must be the major factor causing or threatening to cause the unemployment or underemployment.

There is no doubt that increased imports of color TV yokes caused [Pemcor's major competitor] * * * to move its production facilities to Mexico. Such increased imports from [the firm's] * * * Mexican plant was the major factor causing Pemcor, Inc. to decide to close its Ohio plant and move to Mexico thus causing the unemployment and underemployment at Pemcor's U.S. plant.

* * *. Although [Pemcor's major competitor] * * * had other customers for its color TV yokes, one of its more important customers was, and is, * * * [Pemcor's major customer]. Prior to 1972, color TV yokes supplied to * * * [the customer] by * * * [the competitor] had been produced at [the competitor's] relatively high cost plant * * *. In order to remain both competitive and profitable in the face of rising imports, [Pemcor's major competitor] * * * had to reduce its production costs. In * * * the firm terminated its U.S. production of color TV yokes and began producing them in Mexico. The reduced cost of supplying its U.S. customers from its Mexican plant allowed the firm to reduce its quoted prices and to maintain an acceptable level of profit at the same time. One result of its reduced costs and prices was that [the firm] * * * was able to gain an increased share of the U.S. market for yokes to be used in the assembly of television receivers in the United States. Its share of that market increased from * * * 1971 to * * * 1972.

Pemcor's officers were concerned that the firm might lose at least part, if not all, of its market to [its major competitor] * * * if it did not remain competitive in price with the prices being quoted to * * * [its major customer] by * * * [its competitor]. After investigating various possibilities for reducing costs, Pemcor decided to set up operations at Matamoros, Mexico where the savings in production costs * * * would be * * * [substantial].

It is clear that the savings in cost to * * * [Pemcor's major customer] resulting from trade-agreement concessions induced that firm to produce color TV yokes in Mexico in order to meet foreign competition. As a result, Pemcor was forced to move offshore or risk loss of its only customer, * * *. It is also evident that without trade-agreement concessions, neither * * * [Pemcor's major competitor] nor Pemcor, Inc. could have achieved any cost savings by moving their yoke production to Mexico. It is clear, therefore, that increased imports in major part the result of trade-agreement concessions were the major factor causing the Cleveland, Ohio, plant to close.

Conclusion

In view of the foregoing, we find those petitioning workers of the Cleveland, Ohio, plant of Pemcor, Inc. have met the statutory requirements of the Trade Expansion Act of 1962 and, therefore, we believe that an affirmative determination is justified.

INFORMATION OBTAINED IN THE INVESTIGATION

Description and Uses

Since 1967, the only articles manufactured at the Warrensville Heights (Cleveland), Ohio, plant of Pemcor, Inc., where the petitioning workers were employed, were deflection yokes suitable for use in color television receivers (hereafter referred to as color TV yokes).

Deflection yokes are devices that are fitted around the neck of each television picture tube. Television picture tubes (which are electromagnetic cathode ray tubes) require yokes to supply the magnetic field that deflects the electron beam horizontally and vertically to trace a picture on the face of the tube.

Horizontal deflection of the electron beam is provided by currents in segments of the yoke coils that are oriented parallel to the axis of the picture tube. These segments of coil produce a magnetic field directed to the left or right of the direction of the axis of the tube depending upon the direction of the applied current. Vertical deflection of the beam is provided by segments of the coils oriented at right angles to the first group. These coil segments produce a magnetic field directed upward or downward depending upon the direction of the applied current. Deflection of the electron beam depends on the coil current and other factors. A typical deflection yoke-picture tube assembly has a rectangular viewing area in which the electron beam is swept horizontally across the screen at a rate many times that of its vertical rate.

A typical completed deflection yoke is an assembly that contains four separate tightly wound lengths of copper coil, formed and cemented into shape, which are securely attached to a plastic molding or extrusion generally shaped like the neck of a picture tube. Two of the coils are inside the molding, and two are on the outside. Around this assembly is cemented a ferrite core. The ends of the copper coils are covered by insulation and are connected to various capacitors, transistors, terminals, and the like. The yoke is equipped with an additional wire harness that plugs it into the television electrical system and with a set of brackets for attachment to the television chassis so that its entire weight does not rest on the neck of the picture tube.

The coils used in the assembly of deflection yokes are normally formed by winding machines that feed copper wire from spools at tension onto spinning forms that tightly wind the coils into particular shapes. The coils are heated, put into presses, and cemented into shape prior to assembly with other yoke components. The other production operations are basically assembly processes that include taping, cementing, fastening, soldering, and the like. The final steps include checking the yoke on a cathode ray tube to make sure that it properly traces the picture on the tube face, and packing the yokes for shipment.

Deflection yokes for color television receivers, although similar in appearance to those for monochrome television receivers, are much more complex than monochrome models, must be capable of carrying much higher voltage, require different manufacturing techniques, and are not substitutable for monochrome models. Virtually all color TV yokes

now in production are of a smaller lighter type developed more than 5 years ago to save space in the television cabinet and to save in television receiver production costs. Although color TV yokes vary somewhat in size and configuration, these differences relate more to the configurations of the insides of the television receivers produced by different television manufacturers than to the size of the picture tubes on which the yokes are to be used. These differences are minimal in the amounts of material or labor required to produce various models of yokes and in their cost of production or selling prices.

U.S. Tariff Treatment

Color TV yokes have never been separately identified under either the Tariff Act of 1930 or the TSUS. Currently they are provided for under item 685.20 of the TSUS. From the effective date of the TSUS (August 31, 1963) to the end of 1969, they were included in a statistical category (685.2040) with other TV parts, including television tuners. Effective January 1, 1970, the statistical category was renumbered (685.2050) and television tuners were excluded from it. From 1930 to 1963, color TV yokes were provided for under paragraph 353 of the Tariff Act of 1930, along with television receivers and other television parts. Prior to 1950, the category in which color TV yokes, if imported, would have been classified also included radio apparatus. In 1950, television- and radio-apparatus were separated from each other but both continued to be classified under the same tariff paragraph.

The rates of duty applicable to color TV yokes under tariff paragraph 353 and under TSUS item 685.20, since 1930, are shown in the following table.

Color television yokes: U.S. rates of duty, 1930-72

Effective date	Rate	Authority
<u>Percent ad valorem</u>		
June 18, 1930-----	35	: Tariff Act of 1930.
Jan. 1, 1939-----	25	: Bilateral agreement with the : United Kingdom.
Jan. 1, 1948-----	15	: General Agreement on Tariffs : and Trade (GATT), 1947.
June 6, 1951-----	12.5	: GATT, 1951.
June 30, 1956-----	11.5	: GATT, 1956.
June 30, 1957-----	11	: Do.
June 30, 1958-----	10.5	: Do.
July 1, 1962-----	10	: GATT, 1961.
Aug. 31, 1963-----	10	: Tariff Classification Act of : 1962. <u>1/</u>
Jan. 1, 1968-----	9	: GATT, 1967.
Jan. 1, 1969-----	8	: Do.
Jan. 1, 1970-----	7	: Do.
Jan. 1, 1971-----	<u>2/</u> 6	: Do.
Jan. 1, 1972-----	5	: GATT, 1967.

1/ The institution of the Tariff Schedules of the United States on Aug. 31, 1963, resulted in no change in the rate of duty applicable to U.S. imports of color television yokes.

2/ From Aug. 16, 1971 to Dec. 19, 1971, a surcharge of 10 percent ad valorem was temporarily imposed on most imports of dutiable merchandise, including color television yokes.

Note.--Prior to Aug. 31, 1963, color television yokes were provided for under par. 353 of the Tariff Act of 1930; subsequently they were provided for under TSUS item 685.20.

In 1972, over 80 percent of all imports of color TV yokes were entered under the provisions of item 807.00 of the TSUS, which provides in effect that, for imported articles assembled in whole or in part of U.S. fabricated components, the duty shall be assessed only on the value added abroad, thus permitting the U.S. components to

be entered duty free. Since the U.S. components accounted for about one-third of the value of the goods entered under item 807.00 during the period 1968-72, the savings in duty was substantial, as indicated by the ad valorem rates of duty shown in the following tabulation.

Color TV Yokes: Rates of duty under TSUS item 685.20 and ad valorem equivalents of duties paid under TSUS item 807.00, 1968-72

(In percent)

Year	Rate under item 685.20	Ad valorem equivalent of duty paid after exemption of U.S. components	
		For imports under item 807.00 only	For all imports whether or not under item 807.00
1968-----	9	6	7
1969-----	8	5	6
1970-----	7	5	5
1971 <u>1</u> /-----	6	4	5
1972-----	5	3	4

1/ Exclusive of the 10-percent surcharge in effect about 4 months in 1971, which probably raised the ad valorem equivalent of the duty during that period to about 11 percent for imports under item 807.00 and to 12 percent for all imports.

Apparent U.S. Consumption

The Commission staff sought data on consumption of color TV yokes from all of the nine largest U.S. producers of color television receivers. * * * of the nine, accounting for over 90 percent of apparent U.S. consumption of such articles, have thus far responded. Consumption of color TV yokes in the manufacture of color television receivers in the United States--one to a set--should be identical to U.S. production of television receivers. It rose from 5 million units in 1968 to 6.9 million

units in 1972, as shown in table 1. Consumption of all color TV yokes in the United States--one to a set--should approximate U.S. production of color television receivers plus imports (see table 1). That table shows an increase in such consumption from 5.3 million units in 1970 to 8.3 million units in 1972. Data on the apparent U.S. consumption of monochrome and color television receivers combined is presented in table 3.

U.S. Production and Exports

Annual U.S. production of color TV yokes has been somewhat erratic during recent years. As indicated by the responses of U.S. television receiver manufacturers accounting for over 90 percent of U.S. consumption of color TV yokes, captive domestic production or purchases of domestically produced color TV yokes declined from 3.4 million units in 1968 to 2.0 million units in 1971 and increased to 2.3 million units in 1972 (table 2).

U.S. exports of color TV yokes separately are nil or negligible. No U.S. producer of color TV yokes that was contacted by the Commission reported any exports during the period 1968-72. The only exports of color TV yokes are those exported as parts of assembled color television receivers. Such exports are small but increased from 51,000 units in 1970 to 75,000 units in 1972 (table 1).

U.S. Imports

Exclusive of those contained in imported television receivers, imports of color TV yokes nearly quadrupled between 1968 and 1972, from 1.1 million units in 1968 to 4 million units in 1972, as shown in tables 2 and 4. Over 60 percent of the imports in 1972 were entered under TSUS item 807.00, in which a duty-exemption is granted on U.S. goods returned as parts of assembled articles. Imports of color TV yokes under TSUS item 807.00 more than tripled in quantity between 1968 and 1972; imports that did not have a duty-free component also tripled. The duty-free component of the imports under item 807.00 accounted for about one-third of the total imported value of the articles imported under 807.00 in 1972 and about a fifth of the total imported value of all imports of color TV yokes in 1972 (table 4). Imports under TSUS item 807.00 were predominantly from Mexico but some were also from Taiwan and Portugal. Imports not having duty-free components were primarily from Japan. Annual U.S. imports of color TV yokes, including those incorporated in imported television receivers, increased from 1.4 million units in 1968 to 5.3 million units in 1972.

Imports of TV yokes included in color television receivers, by country, are shown in table 5. Yokes included in imported receivers are thought to be virtually all foreign made. Such imports increased from 318,000 units in 1967 to 1.3 million units in 1972. Most imports of color TV yokes integrated into television receivers are from

Japan. Imports of all television receivers--both color and monochrome-- are shown in table 6.

Two more categories of imports are shown in tables 7, 8, and 9. In table 7, imports of color TV yokes, in addition to other categories of television apparatus and parts, except television tuners, are shown, by country, from 1970 to 1972. The value of such imports increased from \$48 million in 1970 to \$120 million in 1972. Color TV yokes accounted for at least 15 percent of this category. Table 8 shows imports of the same articles under item 807.00 of the TSUS. Table 9 shows imports of all television apparatus and parts, since 1960, and the rates of duty applicable to them. Such imports increased from a value \$2 million in 1960 to \$183 million in 1972.

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Pemcor, Inc.

Pemcor, Inc. was incorporated in Delaware as the Potter Co. in 1928. The business and assets of its affiliate, the Englewood Electrical Supply Co., Inc. (Chicago), were acquired in December 1967 and the company operated as Potter-Englewood Corp. until 1971. On July 1, 1971, the firm merged with the Muter Co. (a manufacturer of loudspeakers, color TV yokes, and other electronic articles), at which time the present title, Pemcor, Inc., was adopted.

Pemcor's divisions and subsidiaries operate plants, offices, and warehouses in 9 States and in Mexico. Employees, as of June 1972 totaled more than 2,300 people. Through its acquisitions and growth, Pemcor manufactures electronic components, including layer wound and miniature ceramic capacitors, interference filters, magnetic products, pulse transformers, miniaturized machine parts, deflection yokes, horizontal output transformers, flybacks, convergence yoke assemblies, degaussing coils, loudspeakers, speaker components and systems, and related audio equipment. It also distributes electrical supplies and equipment, electric housewares, lighting fixtures and related items.

Pemcor's Distribution Group Division distributes electrical products. The Potter Co. Division manufactures capacitors and filters. The Videocraft Co. Division produces deflection yokes and flybacks in Mexico. The Manufacturing Group Division is involved in the manufacture of electrical products. The Rola/Jensen Division manufactures deflection yokes, speakers, and components. The Jensen Sound Laboratories produces speaker components, systems, and related audio equipment. The General Magnetic Co. Division manufactures ceramic magnets.

The total annual net sales by the Muter Co. and Potter-Englewood Corp., combined, increased from \$57.4 million in 1969 to \$66 million in 1971; the net sales of Pemcor, Inc., which resulted from the merger of the two firms, amounted to \$72.6 million during the fiscal year ending March 31, 1972. Virtually, all of the growth in net sales during the period prior to 1972 was due to increased sales by Potter-Englewood; Muter's sales held steady or declined slightly during the period, as shown in the following table.

Net sales by Pemcor, Inc., and its predecessor firms,
fiscal years, 1968-72

(In thousands of dollars)

Item	1968	1969	1970	1971	1972
Muter Co-----	15,239	15,667	13,831	^{1/} 14,321	<u>2/</u>
Potter-Englewood Corp-----	^{3/} 34,848	41,690	49,110	51,646	<u>2/</u>
Total, and Pemcor, Inc----	<u>3/50,087</u>	57,357	62,941	65,967	72,638

^{1/} Estimated by the Tariff Commission.

~~^{2/}~~ Not available.

^{3/} Does not include data on the operations of some subsidiaries of Potter-Englewood and later Pemcor, Inc., that are included for 1969-72.

Source: Annual Reports of the Muter Co., Potter-Englewood Corp., and Pemcor, Inc.

Note.--The fiscal year for the Muter Co. ends on December 31. Fiscal years for Potter-Englewood and Pemcor end on March 31.

The combined net income of the two predecessor firms of Pemcor, Inc. declined from a profit of \$262,000 in 1969 to a net loss of \$1.1 million in 1971; Pemcor reported a loss of \$1.4 million for the fiscal year ended March 31, 1972. Prior to 1971, the increasingly poor financial

showing of Pemcor's two predecessor firms was due to increasing losses reported by the Muter Corp. Muter's losses during this period were attributed in its annual reports to its Jensen speaker division, which was encountering increased import competition. ^{1/} The reduced net income in 1971 was attributed to losses incurred on a sale of a subsidiary firm by Potter-Englewood. The Jensen operations were blamed for the substantial losses incurred by Pemcor during the fiscal year ending March 31, 1972. One-time expenses to restructure the Jensen Division, and losses due to flood damage incurred at Jensen's DuBois, Pa., plant as a result of tropical storm Agnes (June 1972), will probably result in a net loss for Pemcor in fiscal year 1973. The following table shows annual net income for the Muter Co., Potter-Englewood Corp., and Pemcor, Inc. for fiscal years 1968-72.

Net profit or (loss) by Pemcor, Inc., and its predecessor firms,
fiscal years, 1968-72

(In thousands of dollars)

Item	1968	1969	1970	1971	1972
Muter Co-----	(63)	(268)	(1,708)	^{1/} (1,532)	^{2/}
Potter-Englewood Corp---	^{3/} 573	530	809	458	^{2/}
Total, and Pemcor, Inc-----	^{3/} 510	262	(899)	(1,074)	(1,378)

^{1/} Estimated by the U.S. Tariff Commission staff.

^{2/} Not available.

^{3/} Does not include data on the operations of subsidiaries of Potter-Englewood and later, Pemcor, Inc., that are included for 1969-72.

Source: Annual Reports of the Muter Co., Potter-Englewood Corp., and Pemcor, Inc.

Note.--The fiscal year for the Muter Co. ends on December 31. Fiscal years for Potter-Englewood and Pemcor end on March 31.

1/ The Commission in its investigation No. TEA-W-158, Loudspeakers, Workers of the Chicago, Ill. plant of Jensen Mfg. Div., Pemcor, Inc., determined that imports of articles like those produced at the plant had increased, but that the increase was not due in major part to trade-agreement concessions

Rola-Jensen Division

Prior to its merger with Potter-Englewood, the Muter Co. acquired the Rola Co. of Cleveland, Ohio, and the Jensen Co. of Chicago, Ill. Rola was engaged in the manufacture of TV yokes and loudspeakers. The TV yokes, for sale to television producers, were produced at Rola's Cleveland plant. The loudspeakers, sold to original equipment manufacturers of radios, televisions, phonographs, electric guitars, and organs, were produced in Pennsylvania. Jensen manufactured only high-fidelity loudspeakers at its Chicago plant. Both Rola and Jensen experienced some difficulty in maintaining sales in the face of import competition over some of their loudspeaker lines. The problems of the two firms resulted in the closing of the Chicago plant and the consolidation of speaker production at two plants in Pennsylvania--at Punxsutawney and DuBois--following the merger of Rola and Jensen. The Cleveland plant of Rola continued to manufacture TV yokes, and became the headquarters for the Pennsylvania operations.

The Cleveland and Matamoros Plants

The Cleveland plant of Rola-Jensen was engaged in the production of deflection yokes suitable for use with black-and-white television receivers prior to 1965, when a fire destroyed the building. After a lapse of time a new plant was found in Warrensville Heights, Ohio, (about 10 miles southeast of downtown Cleveland) and production of color TV yokes started there in 1967. The Cleveland plant has about * * * square feet of production area and an adjacent building is used as warehouse space. Only color TV yokes have been made at the new plant since it opened in 1967; no other products have been made there since that time. The Cleveland plant is leased for * * * per year. After all production at Cleveland ceases in July 1973, the firm intends to continue its lease and turn the manufacturing area into warehousing space for speakers manufactured * * * by the Division's Pennsylvania plants. The office space at the Cleveland plant will continue to be used as headquarters for the Pennsylvania speaker operations and for the yoke operations. All of the production of yokes, however, will be transferred to the divisions plant at Matamoros, Tamaulipas, Mexico.

* * * * * is Rola-Jensen's major competitor for the
* * * [major customer's] account. * * * [That firm] termi-
nated its remaining U.S. production of color TV yokes and moved it to
* * * Mexico, in * * *. According to a Pemcor spokesman,
* * * [its competitor's] costs declined so much as a result of the
move, that it could substantially reduce its price quotations to
* * * [its major customer] and Rola-Jensen's inability to meet
the prices of yokes imported by * * * [the competitor] could have
meant the loss of all or most of * * * [the customer's] business
within a 6- to 12-month period.

Rola-Jensen investigated the possibility of combining operations
with Videocraft, another Pemcor subsidiary that had been a part of
the Potter-Englewood group. Videocraft has made color TV yokes in
Nuevo Laredo, Tamaulipas (across the border from Laredo, Texas) since
1967. It has had no U.S. production facilities for color TV yokes

since that time. Videocraft had a different set of customers, different production techniques and different models of color TV yokes--so different, in fact, that it was found impossible to merge the two operations. In July 1972, a site was found for a new plant in an industrial park in Matamoros, Tamaulipas, Mexico (across the border from Brownsville, Tex.). Construction was performed to Rola-Jensen's specifications. The plant, * * * was completed in April 1973. It is owned by a Mexican consortium that leases it to Rola-Jensen * * *. * * *. The lease has a term of 10 years. * * *

Production of color TV yokes at Cleveland has already declined somewhat, as had employment. [Considerable equipment was] * * * moved from Cleveland to Matamoros in May 1973. Production of TV yokes at Matamoros began * * * in April 1973. By August 1973, the remaining [machinery] * * * at Cleveland will be set up in Matamoros.

For several years, the Mexican Government has, through the Programa Nacional Fronterizo (PRONAF), endeavored to improve economic conditions in Mexico along the Mexican-U.S. border. In 1965 the Mexican Government announced the Programa de Industrializacion

de la Frontera Norte de Mexico, which was designed specifically to attract foreign manufacturing facilities, particularly those involving assembly operations. Under this program, Mexico permits United States firms to establish plants within 20 kilometers (about 12 miles) of its border with the United States, from the Gulf of Mexico to the Pacific Ocean. After obtaining approval from the appropriate Mexican Government Ministries, the foreign firm may ship to its plant such machinery and raw materials as are needed for production; such materials are entered free of duties and other import restrictions that may prevail elsewhere in Mexico. In order to obtain the duty-free privileges, the entire output of the facility must be exported.

TSUS item 807.00, as explained on page A-7, provides that imported articles assembled in foreign countries with fabricated components that have been manufactured in the United States are subject to duty upon the full value of the imported product less the value of the U.S. fabricated components contained therein. No further processing in the United States is required for articles imported under item 807.00.

Production

Production of color TV yokes at the Cleveland plant of Rola-Jensen increased from * * * 1968 to * * * 1972, as shown in table 10. The monthly production there hit a high * * * in March 1973 just prior to the initiation of the production at Matamoros. In April 1973 production at Cleveland declined * * *

and in May * * * units were produced there. April 1973 was the first month in which production of color TV yokes occurred at Matamoros. In that month * * * units were produced there and in May 1973, * * * units were produced there. Production at Cleveland is scheduled to be terminated in July 1973 when production at Matamoros is scheduled to be in full operation. * * *. Color TV yokes produced at Cleveland and Matamoros are of identical models. Completely different models of yokes for different customers are produced by Videocraft's Nuevo Laredo plant, where production increased from * * * 1965 to * * * 1972. Total production of color TV yokes by Pemcor's two yoke producing subsidiaries increased from * * * 1968 to * * * 1972.

Imports from Mexico

All production by Pemcor in Mexico is imported into the United States, as indicated in table 11. Such imports from the Matamoros plant increased from * * * April 1973 to * * * May 1973. Imports from the Nuevo Laredo plant increased from * * * 1968 to * * * 1972. All imports by Pemcor enter the United States under TSUS item 807.00. * * *.

Employment and man-hours

As shown in tables 13-14, the average annual number of all employees and of production and related workers engaged in the manufacture of color TV yokes at the Cleveland plant of Pemcor, Inc., increased regularly during the period 1968-72, until 1973 when layoffs associated with the transfer of the production to Mexico began.

* * * * *

Beginning in 1973, the average number of all employees at the Matamoros, Mexico, plant increased from * * * January 1973 to * * * June 1973 (table 13). The average number of Matamoros's production and related workers and total man-hours worked for 1973 are presented in tables 14-15.

Pemcor's Videocraft Manufacturing Company Division which also produces deflection yokes in Mexico followed a similar trend as that of the Cleveland plant, the average number of all its employees and its production and related workers increased regularly for the period 1968-72. * * *.

* * * * *

Cost Comparison

Tables 16 and 17 show comparative cost of producing color TV yokes at Pemcor's plants in Cleveland, Ohio, and Matamoros, Mexico. These tables note the effect a reimposition of the 1930 rate of duty would have on the cost of producing a color TV yoke in Mexico and importing it into the United States as compared with the 1972 rate of duty. Tables 18 and 19 show the same comparison for the * * *, a firm that is Pemcor's chief competitor for Pemcor's * * * [major customer]. Cost comparisons for other firms that produce color TV yokes both in the United States and in other countries are shown in tables 20 through 23. The comparisons show that in all eight of the examples cited, the cost of producing color

TV yokes abroad and importing them into the United States is lower, using the current rate of duty whether or not duty exemption under item 807.00 is allowed, then the cost of producing the identical articles in the United States. The comparisons also show that in one case, the cost of importing the articles at the 1930 rate of duty, if a duty exemption is not granted under item 807.00, is less than the cost of producing the articles in the United States, in three cases it is less than 10 cents greater, and in the remaining four cases it is more than 10 cents greater. If the 807.00 duty exemption is granted, in three of the eight cases the cost of the imported article at the 1930 rate of duty is greater than that of the identical U.S. produced article. Two of the three cases in which the imported products at 1930 rates of duty are more costly than the U.S. produced products involve * * * [Pemcor's major competitor], the firm that preceded Pemcor to Mexico by * * * and is Pemcor's major competitor on sales to Pemcor's * * * [major] customer. In the cases involving Pemcor, importing from Mexico using the 1930 rate of duty and the provisions of item 807.00 would have been less costly than producing in the United States.

APPENDIX A
STATISTICAL TABLES

Table 1.--Color television receivers: U.S. factory shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1967-72

Year	Shipments	Imports	Exports	Apparent consumption	Ratio of imports to consumption
	<u>1,000 units</u>	<u>1,000 units</u>	<u>1,000 units</u>	<u>1,000 units</u>	<u>Percent</u>
1967-----	4,970	318	<u>1/</u>	5,288	6
1968-----	4,978	666	<u>1/</u>	5,644	12
1969-----	4,398	912	58	5,310	17
1970-----	3,823	914	51	4,737	19
1971-----	5,631	1,281	87	6,912	19
1972-----	6,934	1,318	75	8,252	16

1/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Color TV yokes: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1968-72

Year	U.S. production	Imports	Apparent consumption	Ratio of imports to consumption
	<u>1,000 units</u>	<u>1,000 units</u>	<u>1,000 units</u>	<u>Percent</u>
1968-----	3,390	1,074	4,464	24
1969-----	2,993	1,345	4,338	31
1970-----	2,092	1,642	3,734	44
1971-----	1,980	3,231	5,211	62
1972-----	2,317	3,976	6,293	63

Source: Compiled from data submitted to the U.S. Tariff Commission by * * * television receiver manufacturers (representing over 90 percent of apparent U.S. consumption of color TV yokes) in response to the Commission's questionnaires. No estimate was made to account for those producers that did not provide the Commission with data.

Note.--In addition to the imports shown in the table, color TV yokes included in imported television receivers increased from 666,000 units in 1968 to 1.3 million units in 1972. There are no known U.S. exports of color TV yokes.

Table 3.--Monochrome and color television receivers: U.S. factory shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1960-72

Year	Shipments	Imports	Exports	Apparent consumption	Ratio of imports to consumption
	<u>1,000 units</u>	<u>1,000 units</u>	<u>1,000 units</u>	<u>1,000 units</u>	<u>Percent ad valorem</u>
1960-----	5,611	-	106	5,505	-
1961-----	5,989	-	131	5,858	-
1962-----	6,644	128	140	6,632	2
1963-----	7,706	391	143	7,954	5
1964-----	8,827	715	202	9,340	8
1965-----	10,036	1,048	181	10,903	10
1966-----	11,174	1,519	168	12,525	12
1967-----	9,586	1,608	139	11,055	15
1968-----	10,039	2,708	144	12,603	21
1969-----	8,914	4,034	157	12,791	32
1970-----	7,523	4,510	126	11,907	38
1971-----	8,664	5,447	162	13,949	39
1972-----	10,219	6,375	224	16,370	39

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 4.--Color TV yokes: U.S. imports for consumption, dutiable and duty free, 1968-72

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

Year	Imports under TSUS item 807.00			All other imports	Total	Ratio (percent) of--		
	Dutiable	Duty- free	Total			807.00 imports to total imports	Duty- free imports to 807.00 imports	Duty- free imports to total imports
Quantity								
1968---	-	-	663	411	1,074	74	-	-
1969---	-	-	728	617	1,345	54	-	-
1970---	-	-	837	805	1,642	51	-	-
1971---	-	-	1,637	1,594	3,231	51	-	-
1972---	-	-	2,406	1,570	3,976	61	-	-
Value								
1968---	3,545	498	4,043	2,602	6,645	61	12	7
1969---	4,007	542	4,549	3,500	8,049	57	12	7
1970---	3,878	922	4,800	4,519	9,310	52	19	10
1971---	6,560	2,504	9,064	7,942	17,006	53	28	15
1972---	8,722	3,769	12,491	8,568	21,059	59	30	18

Source: Compiled from data submitted to the U.S. Tariff Commission by * * * U.S. producers of television receivers (accounting for over 90 percent of U.S. consumption of color TV yokes) in response to the Commission's questionnaires. No estimate was made to account for those producers that did not provide the Commission with data.

Note.--In addition to the imports shown in the table, color TV yokes included in imported television receivers increased from 666,000 units in 1968 to 1.3 million units in 1972.

Table 5.--Color television receivers: U.S. imports for consumption, by principal sources, 1967-72, January-March 1972, and January-March 1973

Period	Japan	Taiwan	Mexico	Canada	All other	Total	U.S. rate of duty
	<u>1,000 units</u>	<u>1,000 units</u>	<u>1,000 units</u>	<u>1,000 units</u>	<u>1,000 units</u>	<u>1,000 units</u>	<u>Percent ad valorem</u>
1967-----	315	-	<u>1/</u>	3	<u>1/</u>	318	10
1968-----	662	-	-	3	<u>1/</u>	666	<u>2/ 9</u>
1969-----	879	22	-	12	<u>1/</u>	912	<u>2/ 8</u>
1970-----	851	52	-	11	<u>1/</u>	914	<u>2/ 7</u>
1971-----	1,191	85	<u>1/</u>	4	1	1,281	<u>2/ 6</u>
1972-----	1,094	213	<u>1/</u>	<u>1/</u>	10	1,318	<u>2/ 5</u>
Jan.-Mar.---							
1972-----	263	32	-	<u>1/</u>	<u>1/</u>	296	<u>2/ 5</u>
1973-----	222	57	10	<u>1/</u>	<u>1/</u>	290	5

1/ Less than 500 units.

2/ Rate of duty became effective January 1.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 6.--All television receivers: U.S. imports for consumption, by type, 1960-72, January-March 1972, and January-March 1973

Period	Color	Black and white	Total	U.S. rate of duty
	<u>1,000</u> <u>units</u>	<u>1,000</u> <u>units</u>	<u>1,000</u> <u>units</u>	<u>Percent</u> <u>ad valorem</u>
1960-----	<u>1/</u>	<u>1/</u>	-	10.5
1961-----	<u>1/</u>	<u>1/</u>	-	10.5
1962-----	<u>1/</u>	<u>1/</u>	128	<u>2/</u> 10
1963-----	<u>1/</u>	<u>1/</u>	391	10
1964-----	<u>1/</u>	<u>1/</u>	715	10
1965-----	<u>1/</u>	<u>1/</u>	1,048	10
1966-----	<u>1/</u>	<u>1/</u>	1,519	10
1967-----	318	1,290	1,608	10
1968-----	666	2,042	2,708	<u>3/</u> 9
1969-----	912	3,122	4,034	<u>3/</u> 8
1970-----	914	3,596	4,510	<u>3/</u> 7
1971-----	1,281	4,166	5,447	<u>3/</u> 6
1972-----	1,318	5,057	6,375	<u>3/</u> 5
January-March--				
1972-----	296	1,188	1,484	<u>3/</u> 5
1973-----	290	1,096	1,386	5

1/ Not available.

2/ Rate of duty became effective July 1.

3/ Rate of duty became effective January 1.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 7.--Television apparatus, excluding television tuners, not elsewhere specified: U.S. imports for consumption, by principal sources, 1970-72, January-March 1972, and January-March 1973

(In thousands of dollars)

Country	1970	1971	1972	January-March	
				1972	1973
Mexico-----	9,930	22,145	41,911	8,296	14,587
Japan-----	10,370	15,234	32,011	5,689	13,586
Taiwan-----	14,338	13,706	19,536	4,814	10,690
Singapore-----	-	663	6,357	1,169	2,892
Canada-----	5,398	5,828	7,393	1,871	1,928
Portugal-----	2,810	4,241	3,721	1,081	924
Netherlands-----	1,401	59	3,316	1,039	595
West Germany-----	878	1,095	1,702	347	495
Leeward and Windward Islands-----	841	2,043	2,290	311	195
Hong Kong-----	1,101	676	805	307	168
All other countries-----	575	3,607	809	224	1,380
Total-----	47,642	69,297	119,851	25,148	47,440

Source: Compiled from official statistics of the U.S. Department of Commerce for TSUS item 685.2050.

Table 8.--Television apparatus, excluding television tuners, not elsewhere specified: U.S. imports for consumption under TSUS items 806.30 and 807.00, by principal sources, 1970-72, January-March 1972, and January-March 1973

(In thousands of dollars)

Country	1970	1971	1972	January-March	
				1972	1973
Total value					
Mexico-----	9,509	21,595	40,809	8,168	14,089
Taiwan-----	13,791	12,979	17,448	4,378	9,697
Singapore-----	-	-	1,310	-	2,497
Japan-----	1,477	1,912	2,702	1,070	890
Portugal-----	2,662	4,240	3,494	990	835
All other-----	3,946	5,044	6,093	1,213	596
Total-----	31,385	45,770	71,856	15,819	28,604
Duty-free value					
Mexico-----	5,374	11,048	20,950	1/	1/
Taiwan-----	5,766	2,382	4,606	1/	1/
Singapore-----	-	-	333	1/	1/
Japan-----	105	96	46	1/	1/
Portugal-----	1,001	1,200	632	1/	1/
All other-----	1,328	1,731	2,444	1/	1/
Total-----	13,574	16,457	29,011	1/	1/
Dutiable value					
Mexico-----	4,135	10,547	19,859	1/	1/
Taiwan-----	8,025	10,597	12,842	1/	1/
Singapore-----	-	-	977	1/	1/
Japan-----	1,372	1,816	2,656	1/	1/
Portugal-----	1,661	3,040	2,862	1/	1/
All other-----	2,618	3,313	3,649	1/	1/
Total-----	17,811	29,313	42,845	1/	1/

1/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce for TSUS item 608.2050.

Table 9.--Television apparatus, including television tuners, not elsewhere specified: U.S. imports for consumption, by principal sources, 1960-72, January-March 1972, and January-March 1973

Year	Mexico	Japan	Taiwan	Canada	Singapore	Portugal	All other	Total	U.S. rate of duty	
	: 1,000 dollars	: 1,000 dollars	: 1,000 dollars	: 1,000 dollars	: 1,000 dollars	: 1,000 dollars	: 1,000 dollars	: 1,000 dollars	: 1,000 dollars	: Percent ad valorem
1960-----	-	574	-	241	-	-	1,131	1,946	10.5	
1961-----	-	2,462	-	308	-	-	1,135	3,905	10.5	
1962-----	-	3,317	-	359	-	-	1,305	4,981	1/10	
1963-----	-	2,602	-	1,503	-	-	858	4,963	10	
1964-----	-	5,565	-	1,774	-	-	2,870	10,209	10	
1965-----	-	6,742	1,216	1,744	-	-	10,280	19,982	10	
1966-----	1,103	12,946	5,755	3,754	-	-	15,785	39,343	10	
1967-----	1,133	8,234	5,772	4,713	-	741	17,958	38,551	10	
1968-----	5,596	11,064	9,547	5,378	-	4,172	17,516	53,273	2/9	
1969-----	12,471	15,832	10,520	5,144	-	6,138	11,833	61,938	2/8	
1970-----	25,396	14,194	17,361	5,518	-	3,040	9,632	75,141	2/7	
1971-----	44,517	21,251	22,656	5,944	663	4,267	15,458	114,756	2/6	
1972-----	71,061	41,189	36,524	7,438	6,357	3,773	16,758	183,100	2/5	
Jan.-Mar.---										
1972-----	15,475	7,314	7,967	1,875	1,169	1,081	6,156	41,037	5	
1973-----	23,986	15,183	15,725	1,975	2,892	938	6,535	67,234	5	

1/ Effective July 1.

2/ Effective January 1.

Source: Compiled from official statistics of the U.S. Department of Commerce. For January 1960-June 1962 Schedule A item 710.0040 was used; for July 1962-August 1963, Schedule A item 710.0060; for September 1963-December 1969, TSUS item 685.2040; for January 1970-March 1973, TSUS items 685.2045 and 685.2050.

A-33 through A-46

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APPENDIX B

Statement by Pemcor, Inc. as to its reasons for
moving its color TV yoke production from
Cleveland, Ohio to Matamoros, Mexico

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APPENDIX C

Analysis Covering the Transfer of **Yöke** Manufacturing
Operations From Cleveland to Brownsville/Matamoros
Dated May 23, 1972

A-50 through A-55

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APPENDIX D

Summary Cost-Benefit Analysis of Proposal
to Move Rola Yoke Manufacturing From
Cleveland to Matamoros, Mexico,
by January 1973
(Dated July 1972)

A-57 through A-58

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APPENDIX E

Excerpt From the Minutes of the Annual Meeting of the
Board of Directors (of Pmcors, Inc.), July 28, 1972

A-60 through A-61

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