

DRYCLEANING MACHINERY FROM THE FEDERAL REPUBLIC OF GERMANY

**Determination of the Commission
in Investigation No. 751-TA-9
Under the Tariff Act of 1930,
Together With the Information
Obtained in the Investigation**



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

Investigation No. 751-TA-9

DRYCLEANING MACHINERY FROM THE FEDERAL REPUBLIC OF GERMANY

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 751(b) of the Tariff Act of 1930 (19 U.S.C. § 1675(b)), that an industry in the United States would be materially injured by reason of imports of drycleaning machinery from the Federal Republic of Germany (West Germany) covered by antidumping order T.D. 72-311 if the order were to be modified or revoked.

Background

On September 29, 1972, the Commission determined that an industry in the United States was injured, within the meaning of the Antidumping Act, 1921, by reason of imports of drycleaning machinery from West Germany determined by the Secretary of the Treasury to be sold or likely to be sold at less than fair value (Drycleaning Machinery from West Germany: Determination of Injury in Investigation No. AA1921-99..., T.C. Publication 514, September 1972).

On November 8, 1972, the Department of the Treasury issued a finding of dumping (T.D. 72-311), and published notice of the finding in the Federal Register (37 F.R. 23715).

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

2/ Vice Chairman Liebelier dissenting.

On May 18, 1984, the Commission received a request to review its determination in investigation No. AA1921-99. The request was filed under section 751(b) of the Tariff Act of 1930 (19 U.S.C. 1675(b)), by counsel on behalf of Bowe Maschinenfabrik GmbH, a producer of drycleaning machinery located in West Germany, and Bowe Systems & Machinery Corp. and American Permac, Inc., related U.S. corporations which import and market drycleaning machinery. On June 6, 1984, the Commission requested written comments as to whether the changed circumstances alleged by the petitioners were sufficient to warrant a review investigation (49 F.R. 23461). No comments opposing institution were received. On August 9, 1984, the Commission determined that the alleged changed circumstances were sufficient to warrant a review investigation.

Notice of the institution of the Commission's investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on August 15, 1984 (49 F.R. 32692). The hearing was held in Washington, DC on October 31, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

**VIEWS OF CHAIRWOMAN PAULA STERN, AND COMMISSIONERS
ALFRED ECKES, SEELEY LODWICK, AND DAVID ROHR**

On the basis of the record developed in investigation No. 751-TA-9, we determine, pursuant to section 751(b) of the Tariff Act of 1930 (19 U.S.C. § 1675(b)), that an industry in the United States would be materially injured by reason of imports of drycleaning machinery from the Federal Republic of Germany (FRG) covered by antidumping order T.D. 72-311 if the order were to be modified or revoked. 1/

Revocation of the order would permit the petitioners to lower their prices for FRG drycleaning machines, making them more price competitive with the domestic products. This would help the petitioners to meet or exceed their marketing goals more speedily. In view of the vulnerable condition of the domestic drycleaning machinery industry and competitive conditions in the U.S. market, we determine that material injury to the domestic industry would result if the antidumping order were revoked or modified.

Introduction

On September 29, 1972, the Commission determined that an industry in the United States was injured within the meaning of the Antidumping Act, 1921, by reason of imports of drycleaning machinery from the FRG determined by the Secretary of the Treasury to be sold or likely to be sold at less than fair value (LTFV). 2/ On November 8, 1972, the Department of the Treasury issued a finding of dumping (T.D. 72-311). 3/ On May 18, 1984, the Commission received

1/ The issue of whether the establishment of a domestic industry would be materially retarded were the antidumping order revoked is not at issue in this investigation and will not be discussed further.

2/ Drycleaning Machinery from West Germany, Inv. No. AA1921-99, TC Pub. 514 (1972).

3/ 37 Fed. Reg. 23715 (Nov. 8, 1972).

a request under section 751(b) by Bowe Maschinenfabrik, GmbH, an FRG exporter of drycleaning machinery, and American Permac, Inc., and Bowe Systems & Machinery Corp., related U.S. corporations that import and market drycleaning machinery. 4/ The request alleged that there were changed circumstances that warranted the institution of a review investigation. 5/ We published notice of the request in the Federal Register, 6/ and the only comment was from the petitioners. After review of the petition and comment, we determined that the allegations warranted a review investigation and, accordingly, we instituted this investigation. 7/

Section 751 of the Tariff Act of 1930 provides an opportunity for the review of injury determinations that have led to the imposition of antidumping and countervailing duty orders. It provides a mechanism through which outstanding antidumping orders may be revoked or modified if the dumping is no longer occurring (§ 751(a)) or if there will be no injurious impact to the domestic industry from such imports (§ 751(b)). As stated in Television Receiving Sets from Japan, section 751(b) requires us--

. . . to assess the inhibiting effect that the [outstanding antidumping] order has on the pricing, production, and marketing strategies of companies subject to it, to predict the effect of revocation on those strategies and on the market place, and then to determine whether those effects

4/ An earlier request for review under section 751(b) was received on Oct. 28, 1981. After publication of notice of the request, 46 Fed. Reg. 57776 (Nov. 25, 1981), and review of the comments received, we determined that the "circumstances have not changed enough to warrant the institution of a section 751(b) review" and, accordingly, we dismissed the request. 47 Fed. Reg. 6119 (Feb. 10, 1982).

5/ The alleged changed circumstances are summarized in the Report of the Commission (Report) at A-1, n.7.

6/ 49 Fed. Reg. 23461 (June 6, 1984).

7/ 49 Fed. Reg. 32692 (Aug. 15, 1984).

would result in material injury or threat thereof to the domestic industry. 8/

Section 751(b) evaluations assume that any dumping is being offset by the existing order and require us to forecast what will happen if the order is revoked or modified. 9/ 10/ The analysis starts from the legally required assumption that LTFV sales will continue or resume once the dumping order is removed, 11/ and consists of two steps: (1) forecasting the likely behavior of the foreign manufacturers and the importers in the event the antidumping order were revoked or modified; and (2) determining whether injury to a

8/ Television Receiving Sets from Japan, Inv. No. 751-TA-2, USITC Pub. 1153 at 9 (1981). Our determination in Televisions was reversed on other grounds by the Court of International Trade. Matsushita Electric Industrial Co., Ltd. v. United States, 569 F. Supp. 853 (CIT 1983), reh. denied, 573 F. Supp. 122 (CIT 1983). The decision of the Court of International Trade is currently on appeal to the Court of Appeals for the Federal Circuit.

9/ See Certain Tomato Products from Greece, Inv. No. 104-TAA-23, USITC Pub. 1594 at 3-4 (Oct. 1984). Investigations under section 751 and section 104 require identical injury and causation analyses.

10/ Chairwoman Stern and Commissioner Rohr note that the Department of Commerce has not calculated final dumping margins or updated deposit rates for several years. Thus, it cannot be said that any injury related to dumping has been offset in a relatively timely manner as is generally the case. Furthermore, the last preliminary estimate of 66 percent for Bowe was based upon sales of the European model machines in the United States--a situation that has changed with the introduction of the "flexible" machine. Thus, it is virtually impossible for the Commission to apply its traditional analysis to the facts of this case. Although the last published figures bear little relation to present reality, there is no basis to judge the magnitude of the pricing flexibility which any current dumping confers upon the FRG exporters. Yet we are required to assume that dumping of an unknown magnitude exists. Thus, the determination resembles a preliminary investigation in this regard. Had current Department of Commerce information been available, the analysis might have been different.

Commissioner Rohr emphasizes that the proper and sufficient conduct of a section 751(b) review requires the Commission have before it accurate and up-to-date information from the Department of Commerce regarding the amount of dumping or subsidization being offset by the dumping or countervailing duty order under review. As in this case, the absence of such information unnecessarily complicate the Commission's analysis.

11/ Matsushita, supra, at 856.

domestic industry would result from the modification or revocation of the antidumping order based on that forecast. 12/

Like Product and Domestic Industry

The term "industry" is defined in § 771(4)(A) of the Tariff Act of 1930 as being "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 13/ The term "like product" in turn is defined in § 771(10) as being "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this Title." 14/ 15/

The imported article subject to this investigation is drycleaning machinery from the FRG. A drycleaning machine is a device which uses either synthetic or petroleum distillate solvents to remove soil and stains from textile fabrics, including apparel. 16/ It combines a series of systems which process the soiled clothing and the solvent. Common to all drycleaning machines are a perforated basket which agitates the clothes in the solvent and then spins rapidly to extract a portion of the solvent prior to drying; a housing; a filter for partially cleaning the solvent; and other supporting

12/ See Salmon Gill Fish Netting of Manmade Fibers from Japan, Inv. No. 751-TA-7, USITC Pub. 1387 (1983). See also Tomato Products from Greece, supra, at 4.

13/ 19 U.S.C. § 1677(4)(A).

14/ 19 U.S.C. § 1677(10).

15/ The Antidumping Act, 1921, under which our 1972 determination was made, did not require a like product analysis; rather, we were required only to identify the relevant domestic industry. We found that the industry consisted of "facilities in the United States used in the production of all types of drycleaning machines irrespective of their load capacity." Drycleaning Machinery from West Germany, supra, at 3.

16/ Report at A-2.

components. Drycleaning machinery traditionally has been differentiated in terms of maximum load weight. 17/

Two firms in the FRG manufacture and export to the United States drycleaning machinery subject to the order. 18/ Most of the petitioners' current imports are of its "flexible" drycleaning machine. 19/ 20/ The domestic manufacturers do not market a machine which they call "flexible." The only significant difference between the imported "flexible" machine and a domestic machine is the ability of the purchasers to add a limited amount of additional capacity. 21/ Domestic machines are neither identical among themselves nor identical to the imported machines. However, domestically produced drycleaning machines are substantially similar in their characteristics and uses with the imported machines. 22/ Therefore, we find that the like product consists of all domestically manufactured drycleaning

17/ Machines below 15 pound maximum capacity are generally used in the coin-operated market. Machines between 15 and 100 pounds capacity are referred to as "professional" and machines over 100 pounds capacity are referred to as "industrial." Id. at A-3.

18/ The two firms are petitioner Bowe Maschinenfabrik, GmbH, and Seco Maschinenbau GmbH & Co. Kommanditgesellschaft. Id. at A-26.

19/ Petition at 17.

20/ The size of a drycleaning machine has been traditionally a function of its basket size. The petitioners' "flexible" drycleaning machines likewise have fixed basket sizes. However, through certain modifications to the "flexible" machine, it can operate efficiently from approximately ten pounds below its capacity as indicated by its basket size up to that capacity. Report at A-4; Tr. at 21, 47.

21/ Tr. at 50; Appendix 1 to petitioners' posthearing brief at 5.

22/ There have been no imports of coin-operated drycleaning machines from the FRG from January 1981 to the present. In addition, petitioners have not argued that domestically produced coin-operated drycleaning machines are unlike the imports.

machinery. Accordingly, the domestic industry consists of those firms that manufacture drycleaning machinery in the United States. 23/

Likely Effect of Revocation of the Antidumping Order on Imports 24/

The antidumping order covering drycleaning machinery from the FRG has been in effect since 1972, as a result of a petition filed by representatives of the domestic industry. 25/ Since that time, a restructuring of the domestic industry has occurred with several producers going out of business and others importing significant quantities of finished and unfinished machinery, particularly from Italy. Moreover, sales of coin-operated machines have declined and sales of professional machines has increased. 26/ During the 1970's, demand for drycleaning machines generally declined, although overall demand for them increased during the period of this investigation. 27/

The volume of imports from the FRG has fluctuated widely since 1972. Imports from the FRG reached their low point in 1982, but since then, imports

23/ Since one domestic producer of drycleaning machinery also imports such machinery from the FRG, Report at A-9, we must determine whether to exclude it from the domestic industry as a "related party." 19 U.S.C. § 1677(4)(B). In general, we exclude domestic producers if their relationship to the foreign manufacturers or to the importers protects them from injury or if their inclusion would skew the economic data base regarding the condition of the domestic industry, including its profitability. Certain Table Wine from France and Italy, Invs. Nos. 701-TA-210-211 (Preliminary), USITC Pub. 1502 at 10 (1984); Forged Undercarriage Components from Italy, Inv. No. 701-TA-201 (Preliminary), USITC Pub. 1394 at 12, n.20 (1983), and cases cited therein. Even though there are some differences in one producer's trade and financial performance from that of the rest of the industry, all our conclusions would be the same whether or not that producer is excluded. Therefore, we have not excluded it from the definition of the domestic industry.

24/ Because there are only two FRG firms subject to the antidumping duty order, much of the discussion of the trends in the subject imports must be in general terms.

25/ T.D. 72-311, 37 Fed. Reg. 23715 (Nov. 8, 1972).

26/ Report at Table 7; Drycleaning Machinery from West Germany, supra.

27/ Report at A-13.

from the FRG have increased substantially. 28/ The number of machines imported from the FRG tripled from 1982 to 1983 and more than doubled from January-June 1983 to January-June 1984. 29/

Although the petitioners claim that removing the order will not substantially raise the volume of exports to the United States, imports from the FRG, as noted above, have increased substantially since 1982. Moreover, the petitioners have indicated a numerical goal for exports of 400 machines per year to the United States--a goal significantly higher than present import levels. 30/ 31/

Petitioners' intention to increase their presence in the U.S. market is supported by the fact that the "flexible" machine was designed specifically for this market. 32/ 33/ Petitioners have dedicated a significant portion of

28/ Report at A-27 and Tables 17-18. According to the petitioners, the declining trend in imports through 1982 and its subsequent increase reflects the phasing out of the traditional types of drycleaning machines and their replacement by the "flexible" machines. Petition at 17; Tr. at 22; Petitioners' posthearing brief, app. 1 at 1.

29/ Report at Table 17. The same trends are evident in the import statistics derived from questionnaire responses. Id. at Table 18. These recently increasing import trends apparently reflect the introduction of the "flexible" machines.

30/ Id. at A-42; Tr. at 18.

31/ "The judgment of present intentions is a proper, and possibly controlling element of a [section 751] review by the ITC." Matsushita, supra, at 857, citing, City Lumber Co. v. United States, 457 F.2d 991 (CCPA 1972).

32/ Report at A-26.

33/ Chairwoman Stern notes that according to petitioners, the "flexible" machine was designed as a relatively "stripped down" version of the more sophisticated and costly models sold in Europe in order to allow it to become more price competitive in the U.S. market, particularly to compete with low-cost imports from Italy. The introduction of the "flexible" machine per se does not necessarily evidence intent to increase market presence. However, in light of the aggregate poor profitability of the domestic producers and the price competitive nature of the market, even if Bowe's intent was merely to maintain current market presence, it cannot be ruled out that the probability that the pricing flexibility or other benefits derived from revocation of the order could enable petitioners to materially contribute to the already depressed prices obtained by several domestic producers.

their total productive capacity to the production of "flexible" machines and have indicated a willingness to divert further capacity to the production of that product if needed. 34/ It is clear from the record that petitioners not only have the intent but also the capability to increase the volume of machines exported to the United States in the immediate future. 35/

An increase in market penetration by imports from the FRG would be aided by revocation of the antidumping order. 36/ Assuming, as we must, that LTFV sales will continue or resume if the order were modified or revoked, 37/ the revocation or modification of the order would permit the petitioners much greater flexibility in determining prices. This greater flexibility in pricing would derive from (1) the elimination of petitioners' current expenses resulting from the way the dumping order is presently being administered, and (2) the removal of any exposure to potential dumping duties. 38/

34/ Petitioners' prehearing brief at 31-32; Tr. at 44.

35/ Report at A-27.

36/ Chairwoman Stern notes that since overall demand is increasing and sales of imports from Italy are increasing rapidly, it is not clear that imports from the FRG will be able to increase market share. The analysis of this case did not include any such assumptions.

37/ Matsushita, *supra*, at 856.

38/ Our efforts to predict possible price changes for the imported machines that would result from revocation of the order are complicated by the fact that the Department of Commerce has not calculated final dumping margins since 1974, and the only available preliminary margins (65.95 percent for Bowe) are three-years old. These margins antedate the introduction of the "flexible" machines. We expect that the petitioner has made some allowance in pricing for possible duties, but the extent of that allowance under these circumstances cannot be assessed.

Despite the petitioners' assertions that their machines do not compete on the basis of price, 39/ 40/ our investigation revealed that there is price competition to some extent between FRG and domestic machines. 41/ 42/ 43/ The petitioners confirmed that the "flexible" machine was designed to be more price competitive with domestic machines than their traditional line of machines. 44/ If prices of the imports from the FRG are further reduced, they will pose even stronger competition in the U.S. market.

Condition of the Domestic Industry

Having determined that the revocation of the antidumping order will affect the volume and price of imports from the FRG, we must also determine what effect these changes will have on the domestic industry.

39/ Petition at 12-16; Petitioners' prehearing brief at 26-30; Tr. at 33.

40/ Chairwoman Stern notes that petitioners argued that their machines can better meet the needs of purchasers governed by various environmental regulations. There is little information of record to evaluate this argument. However, there are at least three domestic producers who make a "closed system" machine which is suitable for meeting various environmental requirements. They also argue that the Bowe machine is generally of better quality than the domestic machines. However, the record before us indicates that although quality is a factor, it is not necessarily the predominant factor. Report at A-37-38. See also Tr. at 32.

41/ Report at A-32-38.

42/ See Id. at Tables 20-22; Staff memoranda dated Nov. 27 and 28, 1984.

43/ Chairwoman Stern notes that although average prices of domestically produced drycleaning machinery are below those for machines imported from the FRG, prices of some domestically produced machines are higher than those for FRG imports. Id. at Tables 20-24; Tr. at 33. In addition, a telephone survey of major distributors indicated that the FRG machines are considered price competitive with the machines of certain major U.S. manufacturers of professional machines. Staff memorandum of Nov. 27, 1984. Also, Vic Manufacturing Co. supplied the Commission with general allegations of sales lost to the importer on the basis of price. Report at App. D. Staff confirmed that the examples cited in "Example A" were inaccurate. "Example A" cited API's model 531 which was made in the United States. Staff memorandum of Nov. 27, 1984. Thus, I disregarded Example A.

44/ Petition at 17; Tr. at 32-33.

The U.S. drycleaning machinery industry has shrunk since 1972, from 18 to only 10 firms. 45/ Notwithstanding some improvement in apparent consumption during the period covered during this investigation, domestic producers' production and shipments declined substantially from 1981 to 1983; there was some improvement in January-June 1984 compared to the same period in 1983. 46/ Similarly, capacity utilization declined from 1981 to 1983, although minimal improvement was shown for the first six months of 1984 as compared to the first six months of 1983. 47/ Throughout the entire period, the capacity utilization of domestic producers was at very low levels. During the same time period, exports of drycleaning machinery by U.S. producers declined significantly. 48/

Data on employment and wages for workers producing drycleaning machinery also show declining trends from 1981 through 1983. The number of production and related workers decreased from 138 to 71, the number of hours worked decreased from 252,000 to 110,000, and wages declined from \$1.8 million to \$0.8 million. 49/

The financial experience of U.S. producers has been consistently poor during the period under investigation. For operations producing drycleaning machines, their net sales have declined steadily. 50/ U.S. producers, in the aggregate, have shown substantial operating losses and net losses before

45/ Drycleaning Machinery from West Germany, supra, at 2; Report at A-7-8.

46/ Report at A-15 and A-17.

47/ Id. at A-16.

48/ Id. at A-17.

49/ Id. at Table 11.

50/ Id. at Table 13.

income tax between 1981 and 1983. Thus, this domestic industry is weak and vulnerable to dumped imports from the FRG. 51/

Impact of imports from West Germany if the order were revoked

From the foregoing analysis if the order were revoked, we expect imports from the FRG would be higher and prices for those imports would decline from the levels that would prevail if the order were still in force. We also have examined the condition of the domestic industry and find that condition to be very unhealthy. It remains, therefore, to determine whether the revocation of the order would cause material injury to the domestic industry.

The profitability of the domestic producers already is very low and it is unlikely that they could reduce their prices to meet increased competition from the FRG imports. However, if they fail to respond to price adjustments by the petitioners, they will lose market share.

In our view, the domestic industry cannot face such adverse marketing conditions without sustaining material injury. Therefore, we conclude that the domestic industry would be materially injured if the antidumping order were revoked. 52/

51/ Although the Commission does not weigh causes of injury, H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979), we must note that the domestic industry is made even more vulnerable to the impact of imports from the FRG because it faces severe competition from imports from Italy. Report at Tables 16-17.

52/ Chairwoman Stern notes that the record in this investigation is not as developed as others in part due to the fact that none of the domestic producers participated as parties and two did not provide relevant price information in response to questionnaires. In some circumstances, it is appropriate to draw adverse inferences against producers that do not cooperate with Commission requests. However, since most producers responded to the Commission's lengthy questionnaire, it is not appropriate to do so in this case. Also, it is clear that the failure of the domestic producers to participate does not reflect lack of interest in the outcome. See INV-H-264.

Views of Vice Chairman Liebeler

A. The standard of review under Section 751

Section 751 of the Tariff Act of 1930 provides an opportunity for the review of affirmative dumping determinations by the Secretary of Commerce (Commerce) and the United States International Trade Commission (Commission).¹ In order to institute an investigation under Section 751(b), the Commission must find that there are allegations of changed circumstances sufficient to warrant a review. If the Commission then determines that an industry in the United States would be materially injured or threatened with material injury, or the establishment of a domestic industry would be retarded by reason of less than fair value (LTFV) imports if the antidumping order were modified or revoked,² then the order cannot be revoked.

Under current law neither petitioners nor respondents have the burden of persuasion; instead the Commission must establish that an industry would be materially injured or threatened with material injury by reason of LTFV imports were the order modified or revoked. Section 751 authorizes the Commission to review its

1. 19 U.S.C.A. 1675(b). Section 751 also applies to affirmative subsidization determinations.

2. The material retardation element is not relevant in this case because the drycleaning industry is an established industry.

731 determinations; it makes no mention of a burden of proof or persuasion.³ The absence of a burden of proof or persuasion on petitioners is also consistent with the Codes of the General Agreement on Tariffs and Trade (GATT). Article 9(a) of the International Antidumping Code⁴ provides that, "an anti-dumping duty shall remain in force only as long as, and to the extent necessary to counteract dumping which is causing injury." Thus, once it has been alleged that circumstances have changed sufficiently that the antidumping duty is no longer necessary to protect the domestic industry from injury, then the need for the antidumping order must be reestablished. According to Article 9(a), if the need for the antidumping order cannot be shown it must be removed. It is obviously not petitioners' burden to establish the need for the order because the petitioners seek its removal. Only the Commission, or possibly the respondents, can establish the need for the order.

Section 751 cases are difficult because the Commission cannot simply examine the available data, but in addition must forecast petitioners' behavior. Thus, in order to determine whether there will be material injury or threat of material

3. The Trade and Tariff Act of 1984 amends Section 751(b) by placing the burden of persuasion in a Section 751 review investigation on the petitioner. Conference Rep. 1156, 98th Cong., 2d Sess. at 82 (1984).

4. Section 2(a) of the Trade Agreements Act of 1979 expressly approved the International Antidumping Code. 19 U.S.C. 2503(a).

injury from the revocation of the outstanding antidumping order, the Commission must engage in a hypothetical analysis. To some extent the Commission does this in all Section 701 and Section 731 threat cases. An even more complicated hypothetical calculation must be made in Section 751 review cases, where in order to determine if the order is necessary to protect the domestic industry from material injury the Commission must compare two hypothetical situations.⁵ First, the Commission must decide what state the industry would be in if the order were modified or revoked and dumping continued. Second, the Commission must decide what state the industry would be in if the order were modified or revoked and there were no dumping.⁶ Title VII protects domestic industries only from dumped and subsidized imports, and only so long as these imports pose a threat to domestic industries. Title VII does not protect domestic industries from the harm that would result from the loss of protection, unless that harm would be caused by dumped imports.

5. In Section 701 and Section 731 threat cases the Commission attempts to forecast what will happen if relief is not granted. If the Commission decides that the industry will suffer material injury, then it grants relief on the basis of the industry being threatened with material injury. Thus, in the usual threat case only one hypothetical situation is involved.

6. It is incorrect to say that the Commission forecasts the state the industry would be in if the order were modified or revoked. The Commission can, however, decide that the order eliminates the dumping and causes the affected foreign producers to act as they would if they were not dumping. If the order causes the firms to act as they would if they were not dumping, then the state the industry would be in if the order remained could be used without biasing the analysis.

Thus, the Commission cannot maintain an order solely because the order itself restrains imports to the benefit of the domestic industry.

B. Application of the standard of review to the instant case

The order under review in the instant case originally applied to traditional drycleaning machines from the Federal Republic of Germany (Germany), including coin operated machines.⁷ Petitioner now sells almost exclusively the new flex machines in the United States, which is petitioners' only market for the machines,⁸ and no coin operated drycleaning machines have been imported into the United States from Germany since 1980.⁹ The flex machine differs from the traditional machine in that the optimal capacity of the flex machine can be varied quickly and inexpensively by adding certain modifications to the machine, whereas the optimal capacity of the traditional machine is fixed. Thus, the owner of a normal machine can only change the capacity of his drycleaning operation by changing machines, whereas the owner of a flex machine only has to change the configuration of his machine.¹⁰ Petitioners began selling the flex machines in the United States in 1983, however, the most

7. Drycleaning Machinery from West Germany, Inv. No. AA1921-99, TC Pub. 514 (1972).

8. Report, at A-26.

9. Report, at A-28.

10. Report, at A-4; transcript, at 21, 47.

recent dumping margins we have available from Commerce are preliminary margins for 1981.¹¹ Thus, in the instant case, there are no margins available from Commerce to assist us.

Because petitioners' only market for the flex machines is the United States, any dumping margins provided by Commerce covering the flex machines would have to be based on petitioners' manufacturing cost and not its prices in other markets. It is unrealistic to assume that the petitioners would consistently sell machines in the United States below their cost of production and lose money. Such behavior would be irrational. Furthermore, there are several reasons that make it unlikely that petitioners, even for a brief time, will sell their machines in the United States at a loss. First, petitioners' operations in the United States are successful. Secondly, because the petitioners are operating at full capacity, and industry sources expect the U.S. demand for drycleaning machinery to continue to increase, I cannot see how petitioners can possibly profit by lowering prices. Thirdly, petitioners testified that they originally sold machines at lower prices in the United States than in Europe, because their machines were recognized for their quality in Europe but were not then so recognized in the United States. Today, however, petitioners have a reputation for quality in the United States, and there is evidence that their prices are above those of most of their competitors.

11. 46 F.R. 60869 (Dec. 14, 1981).

Petitioners have consistently argued that they have priced their machines based on independent economic factors and not on the basis of the outstanding antidumping order,¹² and that they are confident that the final dumping margins will be zero. There is nothing in the record or in common sense to indicate otherwise. Thus, the realities of the marketplace strongly suggest that petitioners will not be selling these machines below their cost of production. If Commerce had recently calculated final dumping margins for petitioners' flex machines, the analysis might be different. However, the only margins Commerce has available are 3 year-old preliminary margins for machines which petitioners no longer offer or sell in the United States. Therefore, I conclude that any dumping by the petitioners that would result from revoking the outstanding order would not be a result of the economics of the marketplace, but an artifact based on the accounting performed by Commerce, and that any margins found by Commerce will very likely be minimal.

Even if we assume that post-revocation sales would be at less than fair value, no material injury would result from such LTFV sales. Petitioners have been very successful in marketing flex drycleaning machines in the United States and there is every reason to believe that petitioners will continue to be successful. Petitioners are recognized in the industry for the

12. The record suggests that petitioners increased the price of machines to reflect the administrative costs of complying with the order, but that the magnitude of these effects is small.

high quality of their machines. Petitioners also appear to be effectively marketing machines through their U.S. distribution networks. Finally, because of the advent of environmental regulation petitioners' machines are favored by the market. These factors tend to indicate that there is a strong demand for petitioners' machines. This interpretation is supported by the available evidence. The responses of 18 purchasers of drycleaning equipment, which represent 7 percent of apparent U.S. consumption in 1983, to a Commission questionnaire indicate that nonprice factors are crucial in the decision to purchase.¹³ Also, petitioners priced their machines at the top end of the market. Finally, United States demand is strong, as shown by continued increases in apparent consumption, and petitioners are operating at full capacity.¹⁴

Petitioners concede that they intend to increase sales to the United States in the next few years.¹⁵ However, because of the strong demand for petitioners' flex machines and the small effect that revoking the order is likely to have on the prices petitioners charge, revoking the order will not significantly affect the ability of petitioners to sell machines in the United States. Although the demand for drycleaning machinery declined for several years, there has in the last few years been an

13. Report, at A-37-38.

14. Transcript, at 20.

15. Transcript, at 18.

increase in apparent consumption that is expected to continue.¹⁶ Even with the expected rise in imports from Germany, the sales of domestic producers are expected to increase. In addition, imports from Germany constitute only about 10 percent of domestic consumption,¹⁷ and because of the expected growth in U.S. demand their share is not likely to increase. Therefore, I conclude that any possible injury to the domestic industry that would result from revoking the order is minimal.¹⁸ As a result, I find there to be no basis for maintaining the order and determine that it should be revoked.

16. Report, at A-13, 38-40.

17. Imports of drycleaning machinery from Germany from January 1981 to June 1984 averaged 7 percent of apparent U.S. unit consumption, and 15 percent by value. Report, at A-30.

18. I recognize that my interpretation of the facts in this case is not the only interpretation possible; it is, however, the most reasonable one under the circumstances. I sympathize with the domestic firms who did not participate because of the expense of Commission proceedings, and I draw no adverse inferences from their nonparticipation. (I only note that in general the product of each firm's cost if the order is revoked and its estimate of the increase in the probability of the order being revoked if it fails to participate must be at least as great as its expected cost of becoming a party before it participates. I have, however, in this case made no attempts to estimate any of these variables.) At the same time, I cannot reward the domestic firms for not participating. The Commission must base its determinations on its best interpretation of the evidence available. It cannot reward nonparticipation by basing its decision on the interpretation most favorable to the nonparticipating party. The Commission's mandate is to investigate, not to represent any of the interested parties.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 29, 1972, the U.S. Tariff Commission determined that an industry in the United States was injured, within the meaning of the Antidumping Act, 1921, 1/ by reason of imports of drycleaning machinery from the Federal Republic of Germany (West Germany), which were being, or were likely to be, sold at less than fair value (LTFV). 2/ On November 8, 1972, the Department of the Treasury issued a finding of dumping 3/ and published notice of the finding in the Federal Register. 4/

On October 28, 1981, the U.S. International Trade Commission received a request to review its determination of injury in investigation No. AA1921-99. The request was filed under section 751(b) of the Tariff Act of 1930, 19 U.S.C. 1675(b), by counsel on behalf of Bowe Maschinenfabrik GmbH (Bowe), a producer of drycleaning machinery located in West Germany, and American Permac, Inc. (A.P.I.), a related U.S. importer of drycleaning machinery. 5/ On February 10, 1982, the Commission issued a notice of dismissal of this request. 6/

The Commission received a second request to review its determination on May 18, 1984. The request was filed under section 751(b) of the Tariff Act of 1930, 19 U.S.C. 1675(b), by counsel on behalf of Bowe, A.P.I., and a third related company, Bowe Systems & Machinery Corp. (B.S.M.). On June 6, 1984, the Commission requested written comments as to whether the changed circumstances alleged by the petitioner 7/ were sufficient to warrant a review

1/ 19 U.S.C. 160-171 (replaced by Tariff Act of 1930, secs. 731-740, 19 U.S.C. 1673-1673i, effective Jan. 1, 1980).

2/ Drycleaning Machinery from West Germany: Determination of Injury in Investigation No. AA1921-99. . . . TC Publication 514, September 1972.

3/ Treasury Decision (T.D.) 72-311.

4/ 37 F.R. 23715.

5/ The petitioners cited three changed circumstances as being sufficient to warrant a review investigation: (1) increasing domestic consumption of drycleaning machinery, (2) increasing sales of larger, professional machines and decreasing sales of smaller, coin-operated machines, and (3) declining imports from West Germany.

6/ 47 F.R. 6119. A copy of the Commission's notice of dismissal is presented in app. A.

7/ The petitioners cited five major changed circumstances: (1) imports of drycleaning machinery from West Germany have declined absolutely, as a percentage of total imports, and as a percentage of U.S. consumption; (2) a former West German exporter has become a U.S. producer; (3) U.S. demand for drycleaning machinery has increased significantly and is projected to remain strong; (4) the petitioner has introduced a new generation of "flexible" drycleaning machines to the U.S. market; and (5) the U.S. sales price of imports from West Germany is substantially higher than the price of comparable U.S. products and imports from other countries.

investigation. 1/ On August 9, 1984, the Commission determined that the alleged changed circumstances were sufficient to warrant a review investigation. No comments opposing institution of the investigation were received.

Notice of the institution of the Commission's investigation was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on August 15, 1984 (49 F.R. 32692). 2/ The Commission's public hearing was held in Washington, DC, on October 31, 1984. 3/ The vote on this case was held on November 28, 1984.

The Product

Description and uses

The subject of the Commission's determination in 1972 and this investigation is drycleaning machinery: devices which use either synthetic (including fluorocarbons) or petroleum distillate solvents to remove soil and stains from textile fabrics, apparel, or other made-up textile articles.

A drycleaning machine combines a series of systems which process soiled clothes and solvent. The cleaning system, common to all machines, includes a perforated basket which first agitates the clothes in solvent, and then spins rapidly to extract a portion of the solvent from the clothes prior to drying. The system also includes the machine's housing, a filter for partially cleaning the solvent, and other supporting components.

Drycleaning machines which dry the clothes, called "dry-to-dry" machines, contain a drying system which removes remaining solvent from cleaned clothes through warm-air evaporation. "Transfer-type" machines, on the other hand, have no drying system; they must be used in combination with separate drying units 4/ to which the cleaned clothes are manually transferred. Transfer-type machines reportedly dominated the U.S. market for many years and are still widely used. Their popularity has diminished owing to health and environmental regulation of exposure to drycleaning solvent, with the result that the majority of new drycleaning machines produced in the United States are dry-to-dry.

1/ 49 F.R. 23461. A copy of the Commission's request for written comments is presented in app. A.

2/ A copy of the Commission's notice of the investigation and scheduling of the hearing is presented in app. A.

3/ A list of witnesses who appeared at the public hearing is presented in app. B.

4/ These units, or "extractors," are not covered by the antidumping order or included in this investigation.

The air and vaporized solvent which emerge from the drying system are directed to the recovery system, where the air is cooled and the solvent is condensed. Water is separated from the condensate, and the solvent flows to a tank. Even after condensation, the cooled air retains some solvent vapor: this air is either vented away from the machine or channeled for additional solvent recovery through further cooling or through an activated carbon recovery unit. In an "open-cycle" machine, the air is finally vented to the atmosphere. In a "closed-cycle" machine, the air is reheated and redirected to the clothes for further drying. The closed-cycle machine is a relatively recent development, prompted, in large part, by concern for energy-efficient and environmentally safe equipment. Finally, the distillation system purges the solvent of soil and prepares it for further cleaning.

Currently two kinds of solvent are widely used in drycleaning machines. The most popular solvent is perchlorethylene, a chlorinated hydrocarbon. Fluorocarbon solvents are also used; these offer greater safety in the cleaning of sensitive textile fabrics, fur, and leather. The fluorocarbons have lower boiling points and higher vapor pressures than perchlorethylene, thus requiring machines which differ, particularly in their respective drying and recovery systems.

Drycleaning machinery comes in a variety of sizes, measured by the maximum weight of the load which the machine can process. Smaller units, usually below 15 pounds capacity, can be found in professional drycleaning establishments or, more commonly, in laundromats, where the machines are equipped with coin metering devices for use by the public. ^{1/} Machines up to approximately 100 pounds capacity are referred to as "professional" and are used largely in commercial drycleaning establishments; machines over 100 pounds capacity are referred to as "industrial" and are used by the larger commercial establishments, institutions, and industries.

Drycleaning machines are sold in a variety of configurations: the customer can purchase a machine with or without filters and still (for optional use of preexisting filtration and distillation equipment) and with or without certain options (such as a wide-body filter, heat pump, additional tanks, automation, and the like). A variety of factors, in addition to price, affect a customer's purchasing decision. Among these are the current level of business, plans for future growth, existing equipment on hand, available floor space, compliance with health and environmental regulations, the kinds of articles to be cleaned, personal preferences as to cleaning styles, personal preferences as to quality-versus-price tradeoffs, energy efficiency, availability of financing, and ease of use of the machines.

^{1/} The use of coin-operated machines has declined since 1972. In 1983, such machines accounted for * * * percent of U.S. production and * * * percent of imports from West Germany.

The importer's flexible drycleaning machine

The capacity size of a machine is determined primarily by its basket size, and normally a machine owner changes capacity sizes by changing machines. 1/ Bowe and its subsidiaries, however, state that they have developed a flexible model of drycleaning machinery, whereby "the capacity of a machine may be quickly and inexpensively changed" 2/

A.P.I. sells three models of "flex" machines in the U.S., 3/ covering a capacity range from 25 to 57 pounds. * * *.

* * * * *

At the Commission's public hearing, Mr. Irving Victor, executive vice president of Vic Manufacturing Co., a U.S. producer of drycleaning machinery, stated, "I really don't understand what is so different about the Flex machine than the machines we are manufacturing in the United States." 4/ The petitioners have stated that flex machines and other drycleaning machines are "like" products under 19 U.S.C. section 1677(10). 5/

U.S. tariff treatment

Imported drycleaning machines are classified under TSUS item 670.41 and are dutiable at a column 1 rate of 4.5 percent ad valorem if from a most-favored-nation (MFN) country. 6/ As a result of the agreements made during the Tokyo round of multilateral trade negotiations, the duty rate under this tariff item was reduced from 5.3 percent ad valorem in 1980 to 4.9 percent in 1982 and to 4.5 percent in 1984. This rate is scheduled to be reduced to 3.9 percent ad valorem effective January 1, 1987.

In addition to the column 1 duty rate, imports of drycleaning machinery from West Germany have been subject to special dumping duties under Treasury Decision 72-311 since November 8, 1972.

1/ It is a matter of general knowledge in the industry that operators of drycleaning machinery occasionally overload their machines.

2/ Petition, p. 17.

3/ The petitioner states that these machines are "designed specifically for the United States market and not sold elsewhere." Petition, p. 2.

4/ Transcript of the hearing, p. 72. The petitioners suggest that Mr. Victor may have misinterpreted the flex concept, posthearing brief, app. 1, p. 2. The Commission staff is not aware of any U.S.-produced drycleaning machines marketed as flexible.

5/ Transcript of the hearing, p. 50; petitioners' posthearing brief, app. 1, p. 5.

6/ MFN rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the Tariff Schedules of the United States Annotated (TSUSA). The col. 2 duty rate is 35 percent ad valorem, the LDDC rate is 3.9 percent, and imports from beneficiary countries are eligible for duty-free entry under the Generalized System of Preferences and Caribbean Basin Initiative.

Past Commission investigations

The Commission, in addition to its 1972 determination under the Antidumping Act, 1921, has conducted four other investigations affecting U.S. producers of drycleaning machinery. Investigation No. 337-TA-84, Chlorofluoro-hydrocarbon Drycleaning Processes; Machines and Components Therefor, concerned alleged unfair methods of competition and unfair acts in the importation into the United States of certain drycleaning machines, or in their sale, because such machines allegedly contributed to and induced the infringement of a drycleaning process covered by a U.S. patent. 1/ The case was terminated by joint motion of the parties on the basis of a settlement agreement on November 24, 1981. Investigations Nos. AA1921-194, 195, and 196 concerned perchlorethylene from France, Belgium, and Italy. On May 4, 1979 the Commission determined that the U.S. industry was being injured by LTFV imports of perchlorethylene. 2/ The antidumping orders which resulted from these investigations have recently been revoked by the Department of Commerce as a result of administrative reviews. 3/

The Nature and Extent of LTFV Sales

As a result of a petition filed on March 12, 1971, the U.S. Bureau of Customs instituted an inquiry 4/ to determine whether drycleaning machinery imported from West Germany was being sold at less than fair value. The inquiry focused upon Bowe 5/ and upon another West German exporter, Seco Maschinenbau GmbH and Co. Kommanditgesellschaft (Seco), and resulted in the calculation of the following weighted-average margins: 6/

<u>Company</u>	<u>Period covered</u>	<u>Weighted-average margin (percent)</u>
Bowe-----	Apr. 1, 1970 - Mar. 31, 1971-----	9.93
Seco-----	Jan. 1, 1971 - July 31, 1971-----	2.61

Customs officers were directed to withhold appraisement of West German drycleaning machinery on March 29, 1972, 7/ and the Treasury Department published its LTFV finding on June 30, 1972. 8/

1/ 45 F.R. 39580, June 11, 1980.

2/ 44 F.R. 26217-26220.

3/ 49 F.R. 22843, June 1, 1984; 49 F.R. 32635, Aug. 15, 1984; 49 F.R. 35396-7, Sept. 7, 1984.

4/ 36 F.R. 9788, Mar. 28, 1971.

5/ Prior to its incorporation, Bowe's predecessor was a partnership called Bohler and Weber KG Maschinenfabrik.

6/ Customs Bureau memorandum (File ATB 643.3-LW) dated June 20, 1972, from the Commissioner of Customs to Assistant Secretary of the Treasury, p. 2.

7/ 37 F.R. 7008, Apr. 7, 1972.

8/ 37 F.R. 12978.

In the Customs Bureau's investigation, LTFV sales by A.P.I. represented 96 percent of total LTFV sales, on the basis of both quantity and value. Coin-operated drycleaning machines 1/ accounted for * * * percent of the quantity and * * * percent of the value of LTFV sales. 2/

Following the Commission's determination of injury in investigation No. AA1921-99 and the issuance of the antidumping order, 3/ the Customs Bureau began its calculations of foreign-market value and exporter's sales price for various models of West German drycleaning machinery. These calculations resulted in the publication of master lists from which customs officers could calculate dumping duties due. Master lists for Bowe covered the period from April 7, 1972, to June 30, 1974; 4/ those for Seco covered the period from April 7, 1972, to April 30, 1973. 5/ Another master list for Seco was issued covering a later period, January 1, 1976 to December 31, 1977. 6/ This master list stated that Seco had incurred no dumping duties during the period covered.

As a result of the publication of these master lists, entries of Seco drycleaning machinery were generally liquidated through December 31, 1977. Some entries of Bowe machinery were liquidated through June 30, 1974; * * *. During these periods of liquidation, some dumping duties were assessed.

As a result of the dumping finding, importers of drycleaning machinery from West Germany have been required to post customs bonds on each entry as surety for later assessed dumping duties. The amount of the bond is at the discretion of the Customs district director for each port. 7/ Since 1980, bond amounts for drycleaning machinery have followed Commerce Department recommendations. Bond amounts have been the same for each of the ports 8/ making up the New York Customs region, the major region of entry for drycleaning machinery from West Germany. From November 8, 1972, to December 31, 1977, both Bowe and Seco posted 15-percent bonds; from January 1, 1978, to December 31, 1979, both posted 6-percent bonds. 9/

1/ The petitioner does not import coin-operated drycleaning machinery from West Germany. Petition, p. 13, transcript of the hearing, p. 65.

2/ Drycleaning Machinery from West Germany . . ., TC Publication 514, September 1972.

3/ T.D. 72-311, Nov. 8, 1972.

4/ C.I.E. N-189/71, supplements Nos. 6 and 13.

5/ C.I.E. N-189/71, supplements Nos. 5 and 7. Master lists were issued for one other company as well: Ringhoffer-Tatra GmbH and Co., KG, covered by C.I.E. N-189/71, supplements Nos. 3 and 14. The latter supplement indicated that the company had not exported drycleaning machinery from Jan. 1, 1973 to June 30, 1978. Department of Commerce files indicate that the company is no longer in business.

6/ C.I.E. N-189/71, supplement unnumbered, dated May 8, 1979.

7/ 19 CFR 113.14.

8/ New York Seaport; Albany, NY; Newark, NJ; Perth Amboy, NJ; and John F. Kennedy International Airport.

9/ Letter from * * *, U.S. Customs Service, New York, NY, Oct. 1, 1984.

On January 2, 1980, the responsibility for administering the antidumping law was transferred from the Department of the Treasury to the Department of Commerce, in accordance with title I of the Trade Agreements Act of 1979. In order to provide Customs directors with a recommended bond rate for drycleaning machinery importers, Commerce calculated a weighted-average margin for the latest period for which data were available: the master list periods of April 7, 1972, to June 30, 1974, for Bowe and April 7, 1972, to April 30, 1973, for Seco. These margins, and the bond rate from January 1980 to the present, are 11 percent for Bowe and 0 percent for Seco. 1/

Under its responsibility derived from title VII of the Trade Agreements Act of 1979, and pursuant to section 751(a)(1) of the Tariff Act of 1930, the Commerce Department published a notice in the Federal Register on March 20, 1980 2/ stating its intent to conduct administrative reviews of all outstanding dumping findings. A review of the drycleaning machinery finding was conducted, the preliminary results of which were published on December 14, 1981, 3/ describing weighted-average margins as follows:

<u>Company</u>	<u>Period covered</u>	<u>Weighted-average margin</u> <u>(percent)</u>
Bowe-----	July 1, 1979-June 30, 1980-----	65.95
Seco-----	Jan. 1, 1978-June 30, 1980-----	10.56

To date, no other margin calculations covering drycleaning machinery from West Germany, either preliminary or final, have been published. Thus, since July 1, 1974, entries of Bowe equipment remain unliquidated--likewise for Seco equipment since January 1, 1978. Unliquidated Bowe machines number approximately * * *; those for Seco, approximately * * *. 4/

The U.S. Industry

U.S. producers

The U.S. drycleaning machinery industry has shrunk since the time of the antidumping order in 1972, as the following tabulation of U.S. producers demonstrates:

1/ Telex from Headquarters, U.S. Customs Service to all Regional Directors, dated Apr. 10, 1980 (message No. 2799), subject: Current dumping findings; revised advisory bond information.

2/ 45 F.R. 20511.

3/ 46 F.R. 60868, a copy of which is at app. A.

4/ Telephone conversation with * * *, U.S. Department of Commerce, Sept. 17, 1984.

Firm	Location	Produced in 1972	Currently producing
Ametek, Inc-----	Moline, IL	X	:
Cook Machinery Co-----	Dallas, TX	X	:
Fednor Corp. (Fedders-Norge)-----	Edison, NJ	X	:
Paramount Engineering Co-----	Lynn, MA	X	:
Shields Engineering & Manufac- turing Co-----	Cleveland, OH	X	:
Washex Machinery Corp-----	Plainview, NY	X	:
White-Westinghouse Commercial Products, Inc-----	Mansfield, OH	X	:
Detrex Chemical Industries, Inc-----	Detroit, MI	X	X
Dexter Co-----	Fairfield, IA	X	X
Four State Machinery Manufacturing Co-----	Joplin, MO	X	X
Hill Equipment Co. 2/-----	Oklahoma City, OK	X	X
Marvel Manufacturing Co-----	San Antonio, TX	X	X
Speed Queen Co-----	Ripon, WI	X	X
Vic Manufacturing Co-----	Minneapolis, MN	X	X
American Laundry Machinery, Inc-----	Cincinnati, OH	:	X
Hoyt Manufacturing Co. 3/-----	Westport, MA	:	X
Multimatic Corp-----	Northvale, NJ	:	X

1/ Drycleaning Machinery from West Germany TC Publication 514, September 1972, states that 18 firms in the United States produced drycleaning machinery in 1971. 4 of these cannot be identified, but are believed to be no longer producing such machinery.

2/ Formerly Midwest Machinery Co.

3/ Hoyt Manufacturing Co. * * *; the firm is therefore not included in further discussion of the U.S. industry.

Ten U.S. producers currently manufacture drycleaning machinery. Nine producers are included in statistics describing the U.S. industry, as explained in the tabulation above. Seven of the nine producers specialize in making a particular type of drycleaning machinery. Two make only transfer-type machines; two make only small-capacity machines suitable for coin- or key-operated use; and three make only dry-to-dry machines of various capacity sizes. The following tabulation lists the type of drycleaning machinery made by each current manufacturer:

Firm	Small- capacity coin-key- operated	Transfer	Dry-to-dry
Dexter-----	***	***	***
Speed Queen-----	***	***	***
Four State-----	***	***	***
Hill-----	***	***	***
American Laundry-----	***	***	***
Detrex-----	***	***	***
Multimatic-----	***	***	***
Marvel-----	***	***	***
Vic-----	***	***	***

U.S. producers' 1983 production of drycleaning machinery, by capacity sizes, is described in table 1. The four largest U.S. producers, accounting for 65 percent of total 1983 unit production, are * * *. The same four producers together accounted for 61 percent of 1982 production, and * * * percent in 1981. The producers of small-capacity machines suitable for coin or key-operated use tend to produce a large number of machines with relatively low unit values, but the opposite is true for most producers of professional and industrial machines. To illustrate, the average unit value for shipments by * * * in 1983 was \$4,141, but the corresponding unit value for shipments by other U.S. producers 1/ was \$16,561.

Three U.S. producers import drycleaning machinery. * * * imports complete machines from * * * when it finds such machines impractical to manufacture in the United States. * * * is a subsidiary of Seco and is the exclusive U.S. importer of Seco drycleaning machinery from West Germany. Machines imported by * * * include not only complete machines from West Germany, but also unfinished machines from both West Germany and Italy. 2/ * * * imports completed drycleaning machines from Italy. Table 2 compares total imports with total production for each U.S. producer which imports drycleaning machinery.

1/ Not including * * *, which did not supply data on value of shipments in 1983.

2/ See the section entitled "Completion of unfinished imported drycleaning machinery in the United States" for further information. T.D. 72-311 does not address the question of whether "drycleaning machinery" includes unfinished machinery as well as completed machinery. General headnote 10(h) of the TSUSA states that "unless the context requires otherwise, a tariff description for an article covers such article, whether assembled or not assembled, and whether finished or not finished." The term "drycleaning machinery" does not include parts of such machinery, which are classified under item 670.43 of the Tariff Schedules of the United States (TSUS).

Table 1.--Drycleaning machinery: U.S. production, by producers and by capacity sizes, 1983

(In units)

Producers	Capacity size				Total
	0 to 24	25 to 40	41 to 60	Over 60	
	pounds	pounds	pounds	pounds	
American Laundry-----	***	***	***	***	***
Detrex-----	***	***	***	***	***
Dexter-----	***	***	***	***	***
Four State-----	***	***	***	***	***
Hill-----	***	***	***	***	***
Marvel-----	***	***	***	***	***
Multimatic-----	***	***	***	***	***
Speed Queen-----	***	***	***	***	***
Vic-----	***	***	***	***	***
Total-----	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 2.--Drycleaning machinery: U.S. imports and U.S. production, by producer, 1981-83, January-June 1983, and January-June 1984

* * * * *

Six U.S. producers manufacture products other than drycleaning machinery. American Laundry produces regular commercial laundry machinery, presses, and related equipment. (* * *.) Detrex produces chemicals and related products. Dexter performs contract manufacturing, fabricates sheet metal, and produces gray iron castings. (* * *.) Marvel produces regular commercial laundry machinery. (* * *.) Speed Queen also produces regular and coin-operated commercial laundry machinery. Vic produces pollution control equipment. (* * *.)

Five U.S. producers are members of the Textile Care Allied Trades Association, Inc., which also includes a variety of importers and distributors of drycleaning and related machinery. No U.S. producer has entered an appearance as a party to this investigation; however, Mr. Irving Victor, executive vice president of Vic Manufacturing Co., made a statement at the public hearing.

U.S. importers

The Commission staff believes that U.S. corporations related to producers of drycleaning machinery in West Germany import all of the drycleaning machines which are produced in West Germany for export to the United States. 1/

Bowe Systems & Machinery Corp. (B.S.M.) is a wholly-owned subsidiary of Bowe. American Permac, Inc. (A.P.I.) is a wholly-owned subsidiary of B.S.M., and is located with B.S.M. at Hicksville, NY. B.S.M. imports Bowe products, which include forms processing devices as well as drycleaning machinery. 2/ A.P.I. receives the drycleaning machinery from B.S.M. (* * *) and conducts all subsequent business involving the product. B.S.M. also imports an unfinished drycleaning machine from Italy which A.P.I. completes in the United States. 3/

* * *. Over the period 1981 to 1982, A.P.I. designed a machine specifically for the U.S. market. This design became the flex series, the first of which, the M50 model, is the Italian model which A.P.I. completes. Later models, the M40 and M30, are built by Bowe. 4/ * * *:

* * * * *

Seco's U.S. subsidiary is * * *. * * * owns a controlling interest in two distribution companies: * * *, and * * *.

Channels of distribution

Traditionally, U.S. producers and importers of drycleaning machinery distribute their product to end users through distributors. Although distributors may be related to producers or importers, they typically are

1/ Official statistics of the U.S. Department of Commerce suggest that these corporations account for * * * percent of total imports from West Germany over the period January 1981 through June 1984. Through conversations with U.S. producers and importers, however, it was learned that some shipments from West Germany consist of drycleaning machines which are partially or completely made in a third country, e.g., Italy. Thus, Commerce statistics probably overstate imports which are covered by the dumping order, that is, West German-manufactured machines imported from West Germany.

2/ B.S.M. has replaced A.P.I. as the importer since it was created in a 1982 reorganization.

3/ Transcript of the hearing, pp. 17 and 33. Unfinished imports of B.S.M. * * *. These imports were reported to the Commission by B.S.M. and A.P.I. as * * *. Based upon this report, and upon fieldwork by the Commission staff, these items have been treated as imports of unfinished drycleaning machines, rather than as parts, for purposes of this investigation. B.S.M. and A.P.I. are therefore treated as U.S. importers rather than as U.S. producers. The petitioners state that B.S.M. and A.P.I. are "U.S. manufacturers;" prehearing brief, p. 22; transcript of the hearing, p. 54; but do not claim U.S. producer status for purposes of this investigation, posthearing brief, app. 1, p. 6.

4/ Transcript of the hearing, pp. 17 and 33.

independent companies which sell and service a variety of laundry equipment in addition to drycleaning machinery. Some distributors supply only, or primarily, one make of drycleaning machinery; others sell more than one make. This distribution system is effective because distributors can solve the myriad regional sales and service problems with which manufacturers and importers are usually too small to cope. Producers and importers adhering to this system tend to sell directly to end users only if the customer is located in an area not serviced by a distributor.

Recently, however, some manufacturers and importers have reportedly been bypassing the distributor and selling directly to the end user. This practice appears to be caused by price competition and an attempt to eliminate the "middleman's" price increase. Data collected in this investigation suggest that, among U.S. producers and importers from West Germany, the practice of selling to distributors remains strong. The following tabulation displays estimated 1983 domestic shipments by U.S. producers of drycleaning machinery and U.S. importers of drycleaning machinery from West Germany to distributors and end users (in units):

<u>Distributors</u>		<u>End users</u>	
<u>Related</u>	<u>Unrelated</u>	<u>Related</u>	<u>Unrelated</u>
***	***	***	***

The U.S. Market

The U.S. market for new drycleaning machinery consists predominantly of retail drycleaning services. The Textile Care Allied Trades Association estimates that 85 percent of existing drycleaning machines are used in providing retail drycleaning services through commercial drycleaning establishments, industrial uniform rental services, and hotel valet services. The remaining 15 percent of machines are used to provide in-house cleaning services to other industries such as textile-processing plants, garment manufacturers, and department stores. ^{1/} Demand for drycleaning machinery results from a need to replace existing machines and from commercial growth requiring new installations.

There is reportedly a limited U.S. market for used and rebuilt drycleaning machines. Distributors that receive used machinery as trade-ins describe resale of such machinery in the United States as difficult, because the machines lack the technology which the market demands. Most used machines are transfer types, whereas the market currently favors dry-to-dry machines. Dealers in used and rebuilt machines located in the southern part of the country reportedly enjoy a brisk export trade in such machines with the Caribbean islands and Central and South America; see the section entitled "U.S. exports."

^{1/} Telephone conversation with Mr. Robert Knipe, executive director, Textile Care Allied Trades Association, Inc., Sept. 25, 1984.

Apparent U.S. consumption

Table 3 presents apparent U.S. consumption of drycleaning machinery. Apparent consumption increased from 1,722 units in 1981 to 2,399 units in 1983, or by 39 percent. ^{1/} Expressed in value, apparent consumption increased from \$15.8 million in 1981 to \$23.0 million in 1983, or by 45 percent. These figures represent a decrease in units and an increase in value since the time of the 1972 investigation; apparent consumption in 1971 totaled 5,657 units, valued at \$15.8 million. The decrease in units is largely mitigated and the increase in value explained by the fact that * * * percent of unit consumption in 1971 was of coin-operated drycleaning machines. By 1983 only * * * percent of U.S. production was of coin-operated machines, with only two U.S. producers participating in what both describe as a * * * market.

Table 3.--Drycleaning machinery: Apparent U.S. consumption, 1981-83, January-June 1983, and January-June 1984

Item	1981	1982	1983	January-June--	
				1983	1984
Quantity-----units--	1,722	2,014	2,399	1,131	1,595
Value-----1,000 dollars ^{1/} --	15,845	18,830	22,980	10,281	16,268

^{1/} * * * did not report value of shipments.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

Market factors

Members of the industry report that, after a period of extended growth, the market for drycleaning services and the concurrent market for drycleaning

^{1/} The petitioners believe that apparent consumption as presented in this report is significantly understated, prehearing brief, p. 17, posthearing brief, app. 3, p. 4. The petitioners suggest that "many machines produced in the United States by non-recipients of questionnaires using substantially foreign content would show up neither in questionnaire responses nor in import statistics," prehearing brief, p. 17. The Commission staff contacted approximately 100 firms to gather data on U.S. production and imports which are reflected in figures for apparent consumption. Specific questions were asked of selected producers, importers, and purchasers to reveal firms whose U.S. production or imports would appear in neither questionnaire responses nor Commerce statistics. No such firms were found. It is nevertheless possible, as the petitioners have suggested, that machines are being produced with either U.S. or foreign components by very small producers unbeknownst to the industry at large.

machinery experienced a decline from the late 1960's to the mid-1970's. Since that time, the market has partially recovered. Statistics for the past three decades appear to document this view. The following tabulation displays the receipts of drycleaning plants with payrolls and shows, in the context of inflated dollars, the occurrence of and emergence from a decline between 1967 and 1982:

<u>Year</u>	<u>Receipts</u> <u>(million dollars)</u>
1954-----	1,071
1958-----	1,265
1963-----	1,411
1967-----	1,938
1972-----	1,759
1977-----	1,896
1982-----	<u>1/</u> 2,886

1/ Preliminary report.

Various factors contribute to such market shifts. Interest rate levels, for example, directly affect end users' ability to buy drycleaning machinery: the prices of such machines are high and virtually all purchases are financed, either by a bank, or, occasionally, by a distributor or even a manufacturer of the equipment.

Trends in textile usage affect the industry: garments made from synthetic fibers generally are not drycleaned, as are natural fiber garments. In the late 1960's and early 1970's synthetic fiber garments--the "wash-and-wear" style--were popular. Tastes changed, however, and from the late 1970's to the present, natural-fiber garments have been favored. 1/

Certain demographic characteristics of the U.S. population have become more favorable to the drycleaning industry since 1970. The number of persons of traditional working age (between the ages of 18 and 64) has increased, personal income has increased, and the number of families in which both husband and wife are employed has increased. 2/ These data may be construed to suggest that there are now more prospective customers of drycleaning establishments who have more money and who are less likely to do their laundering at home.

1/ Petition, pp. 2 and 6; petitioners' prehearing brief, p. 20; transcript of the hearing, p. 81 (testimony of Mr. Victor). Statistics on apparent U.S. consumption of selected items of apparel in 1972 and 1983 show that consumption of natural-fiber apparel increased between these 2 years as total consumption increased. The share of total consumption held by natural-fiber apparel was approximately the same in both years; about 40 percent.

2/ These statistics are set out in app. C, table C-1.

Condition of the U.S. Industry 1/U.S. production

The nine U.S. producers of drycleaning machinery which responded to the Commission's questionnaires are believed to account for 100 percent of U.S. production in 1983. Total U.S. production of drycleaning machinery is presented, by capacity sizes, in table 4, and by types of machines, in table 5. U.S. production decreased from * * * units in 1981 to * * * in 1983. At the end of June 1984, production stood at * * * units, up from * * * for the same period in 1983. Machines with a capacity size between 25 and 40 pounds accounted for * * * percent of 1983 production, representing an increase from * * * percent in 1981. Machines which are non-coin-operated, dry-to-dry units consistently made up the largest portion of U.S. production, averaging * * * percent from 1981 through 1983, and rising to * * * percent in January-June 1984.

Table 4.--Drycleaning machinery: U.S. production, by capacity sizes, 1981-83, January-June 1983, and January-June 1984

(In units)						
Capacity	1981	1982	1983	January-June--		
				1983	1984	
0 to 24 lb-----	***	***	***	***		***
25 to 40 lb-----	***	***	***	***		***
41 to 60 lb-----	***	***	***	***		***
Over 60 lb-----	***	***	***	***		***
Total-----	***	***	***	***		***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

1/ The U.S. production of * * *, which is related to and imports the products of a West German producer, is included in all statistics describing the U.S. industry.

Table 5.--Drycleaning machinery: U.S. production, by types, 1981-83, January-June 1983, and January-June 1984

(In units)						
Type	1981	1982	1983	January-June--		
				1983	1984	
Coin-operated-----	***	***	***	***	***	***
Transfer 1/-----	***	***	***	***	***	***
Dry-to-dry 1/-----	***	***	***	***	***	***
Total-----	***	***	***	***	***	***

1/ Non-coin-operated.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. capacity and capacity utilization

Production capacity for drycleaning machinery, and capacity utilization by U.S. producers, are presented in table 6. Production capacity for drycleaning machinery increased 4 percent, from 2,241 units in 1981 to 2,321 units in 1983 and then rose again by 9 percent, from 1,165 units in January-June 1983 to 1,273 units in January-June 1984. Capacity utilization was * * * percent in 1981, decreasing steadily to * * * percent in 1983. A slight increase occurred during January-June 1984, when capacity utilization reached * * *.

Table 6.--Drycleaning machinery: Production capacity and U.S. producers' capacity utilization, 1981-83, January-June 1983, and January-June 1984

Item	1981	1982	1983	January-June--		
				1983	1984	
Production capacity						
units--	2,241	2,298	2,321	1,165	1,273	
Capacity utilization						
percent--	***	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Completion of unfinished imported drycleaning machinery in
the United States

* * * * *

U.S. producers' domestic shipments

The quantity of U.S. producers' domestic shipments of drycleaning machinery steadily decreased by 20 percent, from 1,105 to 880 units, over the period 1981 to 1983 (table 7). An increase of 22 percent occurred in January-June 1984 compared with such shipments in the corresponding period of 1983. The value of shipments ^{1/} declined from \$10.8 million in 1981 to \$10.1 million in 1982 and then increased to \$11.0 million in 1983, resulting in a net increase of 2 percent over the 2-year period. In contrast, value increased 44 percent between January-June 1983 and January-June 1984. Unit values of machines shipped ^{2/} increased 21 percent from 1981 to 1983 and 18 percent between January-June 1983 and January-June 1984.

U.S. exports

Exports of drycleaning machinery by U.S. producers dwindled from * * * machines in 1981 to * * * machines in 1983, or by 79 percent. Value of exports showed a similar drop, from * * * in 1981 to * * * in 1983, or by 77 percent. This trend continued in January-June 1984, as table 8 demonstrates. Exports consisted primarily of machines in the * * * pound capacity range, which accounted for * * * percent of the total from January 1981 to June 1984. U.S. producers report that Japan, France, and Saudi Arabia are their largest export markets.

Official export statistics of the U.S. Department of Commerce show not only shipments by U.S. producers, but also exports of used and rebuilt drycleaning machinery and exports by U.S. importers of drycleaning machinery. Most U.S. producers neither deal in used drycleaning machines nor rebuild machines; those which do describe such activity as rare. Similarly, most U.S. producers do not import drycleaning machinery for later export. Firms involved solely in importing drycleaning machinery also do not appear to have significant exports. The Commission staff surveyed 9 major U.S. importers of drycleaning machinery (from Italy, the United Kingdom, and West Germany): these firms reported 32 exports over the period January 1981 to June 1984.

^{1/} Not including shipments by * * * which did not provide information on value of shipments.

^{2/} Not including shipments by * * *, which did not provide information on value of shipments.

Table 7.--Drycleaning machinery: U.S. producers' domestic shipments, by capacity sizes, 1981-83, January-June 1983, and January-June 1984

Capacity	1981	1982	1983	January-June--	
				1983	1984
Quantity (units)					
0 to 24 lb-----	***	***	***	***	***
25 to 40 lb-----	498	427	479	213	250
41 to 60 lb-----	298	281	192	95	132
Over 60 lb-----	***	***	***	***	***
Total-----	1,105	961	880	424	518
Value (1,000 dollars) 1/					
0 to 24 lb-----	***	***	***	***	***
25 to 40 lb-----	4,549	4,194	5,323	2,532	2,758
41 to 60 lb-----	3,045	3,367	2,852	1,235	1,886
Over 60 lb-----	***	***	***	***	***
Total-----	10,804	10,125	11,005	5,057	7,307
Unit value 1/					
0 to 24 lb-----	***	***	***	***	***
25 to 40 lb-----	11,516	11,715	12,437	13,326	12,536
41 to 60 lb-----	13,716	15,235	19,401	17,899	19,853
Over 60 lb-----	***	***	***	***	***
Average-----	11,991	12,454	14,480	14,008	16,569

1/ Not including shipments by * * *, which did not provide information on value of shipments.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 8.--Drycleaning machinery: U.S. producers' exports, by capacity sizes, 1981-83, January-June 1983, and January-June 1984

* * * * *

Table 9 subtracts exports by U.S. producers from Commerce Department export statistics to show the magnitude of exports by sellers of used machines, rebuilders, and importers.

Table 9.--Drycleaning machinery: Exports as reported by the U.S. Department of Commerce and by U.S. producers, 1981-83, January-June 1983, and January-June 1984

Item	1981	1982	1983	January-June--	
				1983	1984
Quantity (units)					
Exports reported by Commerce Department-----	2,012	1,444	936	583	619
Exports reported by U.S. producers-----	***	***	***	***	***
Difference-----	***	***	***	***	***
Value (1,000 dollars)					
Exports reported by Commerce Department-----	5,181	3,359	2,815	1,373	1,700
Exports reported by U.S. producers-----	***	***	***	***	***
Difference-----	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

Dealers in used and rebuilt machines reportedly export a large number of such machines to Latin American countries. These machines are usually transfer types taken as trade-ins; their low price makes them attractive to nearby countries where environmental regulation is less a market factor than in the United States.

U.S. producers' inventories

Drycleaning machines are large, heavy, expensive, and manufactured for a limited market; therefore, producers do not normally keep a sizable inventory on hand. Indeed, machines are often produced upon order and shipped within a few days after completion of production. Some producers keep no inventories at all.

U.S. producers' inventories of drycleaning machinery declined steadily from 1981 to 1983 by * * * percent--* * * (table 10).

Table 10.--Drycleaning machinery: U.S. producers' inventories, by capacity sizes, 1980-83, January-June 1983, and January-June 1984

* * * * *

U.S. employment and wages

Data on employment and wages for workers producing drycleaning machinery were provided by six U.S. producers, 1/ representing 69 percent of 1983 U.S. production, and are presented in table 11. Only five producers, representing 52 percent of 1983 production, provided data for the periods January to June 1983 and 1984; partial-year information is, therefore, not presented. The number of production and related workers producing drycleaning machinery declined over the period 1981 to 1983, from 138 to 71, or by 49 percent. Hours worked, wages paid, and total compensation followed a similar pattern. Hourly wages for workers in this industry averaged \$7.03 in 1981, \$7.34 in 1982, and \$7.66 in 1983. Employees of four firms were represented by unions

Table 11.--Production and related workers employed in U.S. establishments producing drycleaning machinery, hours worked by such workers, and wages and total compensation paid to these workers, 1981-83 1/

Item	1981	1982	1983
Production and related workers producing drycleaning machinery-----	138	101	71
Hours worked by workers producing drycleaning machinery-----1,000 hours--	252	170	110
Wages paid to workers producing drycleaning machinery---1,000 dollars--	1,772	1,247	843
Total compensation paid to workers producing drycleaning machinery 1,000 dollars--	2,129	1,552	1,054

1/ * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

1/ * * *.

in 1983; 1/ such representation covered 26 percent of 1983 production and related workers. 2/

U.S. producers' productivity

The productivity of U.S. drycleaning machinery production improved steadily over the period January 1981 to June 1984. The following tabulation describes the number of units produced per 1,000 hours worked by employees producing drycleaning machinery: 3/

<u>Period</u>	<u>Quantity</u> <u>(units)</u>
1981-----	2.83
1982-----	3.49
1983-----	4.44
January-June--	
1983-----	3.68
1984-----	4.98

All U.S. producers showed at least some productivity improvement between 1981 and 1983. The industry's improvement in January-June 1984 is due largely to * * *, which more than doubled its productivity compared with that in the corresponding period of 1983.

Financial experience of U.S. producers

Four U.S. producers of drycleaning machinery, representing 49 percent of 1983 production, provided financial data both on their overall operations and on their operations producing drycleaning machinery: 4/ Five U.S. producers did not provide such data: * * *. On their overall operations, the four reporting producers experienced, in the aggregate, positive operating income and net income before taxes during accounting years 1981 through 1983. On drycleaning machinery operations, however, the same four producers experienced aggregate operating losses and net losses during accounting years 1981 through 1983.

Overall establishment operations.--Table 12 provides financial data for the four reporting U.S. producers on overall operations of establishments in which drycleaning machinery is produced. 5/ Overall establishment net sales declined by 17 percent from \$62 million in 1981 to \$52 million in 1982, and

1/ The United Steelworkers of America, the International Association of Machinists & Aerospace Workers, and the Sheet Metal Workers.

2/ The union at Vic Manufacturing Co. was decertified in 1984. Transcript of the hearing, p. 81.

3/ * * *.

4/ * * *.

5/ * * *.

Table 12.--Income and loss experience of U.S. producers on overall operations of their establishments within which drycleaning machinery is produced, 1/ accounting years 1981-83, and partial years ended June 30, 1983, and ended June 30, 1984

Item	1981	1982	1983	Partial years ended June 30--	
				1983	1984
Net sales-----1,000 dollars--:	62,451	51,989	52,931	14,345	16,729
Cost of goods sold-----do-----:	47,474	39,076	40,680	11,040	12,763
Gross profit-----do-----:	14,977	12,913	12,251	3,305	3,966
General, selling, and administrative expenses					
1,000 dollars--:	10,487	9,782	9,629	2,855	2,953
Operating income-----do-----:	4,490	3,131	2,622	450	1,013
Interest income or (expense) do-----:	***	***	***	***	***
Other income or (expense) do-----:	***	***	***	***	***
Net income before income taxes-----1,000 dollars--:	***	2,853	***	***	***
Depreciation and amortization included above-----1,000 dollars--:	***	***	***	***	***
Cash flow from operations do-----:	***	***	***	***	***
Ratio to net sales of--					
Gross profit-----percent--:	24.0	24.8	23.1	23.0	23.7
Operating income-----do-----:	7.2	6.0	5.0	3.1	6.1
Net income before income taxes-----percent--:	***	5.5	***	***	***
Cost of goods sold do-----:	76.0	75.2	76.9	77.0	76.3
General, selling, and administrative expenses-----percent--:	16.8	18.8	18.2	19.9	17.7
Number of firms reporting <u>1/</u> -----:	4	4	4	3	3
Number of firms reporting operating losses-----:	***	***	***	***	***
Number of firms reporting net losses-----:	***	***	***	***	***

1/ * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

then increased by 2 percent to \$53 million in 1983. For the three producers providing interim 1984 data, net sales were 17 percent higher than those during the corresponding period of 1983. 1/

Operating income declined by about 42 percent over the period 1981 to 1983, pretax income fell by * * * percent, and gross profits declined by 18 percent. As a share of falling net sales, * * * and net income before taxes each * * * between 1981 and 1982, and again between 1982 and 1983. Gross profits increased slightly, from 24 to 25 percent of net sales between 1981 and 1982, and then declined to 23 percent in 1983.

Cost of goods sold was 76 percent of net sales in 1981, 75 percent in 1982, and 77 percent in 1983. General, selling, and administrative expenses as a share of net sales increased from 17 percent in 1981 to 19 percent in 1982, and then decreased to 18 percent in 1983.

Operations producing drycleaning machinery.---Table 13 provides financial data on U.S. producers' drycleaning machinery operations. Net sales of drycleaning machinery, as reported by four firms, declined by 12 percent in 1982 and by 5 percent in 1983 compared with those in the previous years. Sales of drycleaning machinery accounted for a total of 12 percent of overall establishment sales for the four reporting companies in 1983. Gross profits fell in 1982 as the cost of goods sold rose from 91 to 98 percent of net sales. As a result, * * * in 1982, while * * *. Between 1982 and 1983 * * *. The cost of goods sold declined in 1983, while general, selling, and administrative expenses * * * as a percentage of decreasing net sales. * * *. 2/

1/ The three producers providing interim data on overall operations were:
* * *.

2/ * * *.

Table 13.--Income-and-loss experience of U.S. producers on their operations producing drycleaning machinery, 1/ accounting years 1981-83, and partial years ended June 30, 1983, and ended June 30, 1984

Item	1981	1982	1983	Partial years ended June 30--	
				1983	1984
Net sales-----1,000 dollars--:	7,429	6,508	6,176	***	***
Cost of goods sold-----do-----:	6,752	6,383	5,801	***	***
Gross profit-----do-----:	677	125	375	***	***
General, selling, and administrative expenses					
1,000 dollars--:	***	921	***	***	***
Operating income or (loss)					
do-----:	***	(796)	***	***	***
Interest income or (expense)					
do-----:	***	(245)	(231)	***	***
Other income or (expense)					
do-----:	86	(1)	***	***	***
Net income or (loss) before income taxes					
1,000 dollars--:	***	(1,042)	***	***	***
Depreciation and amortization included					
above-----1,000 dollars--:	***	***	***	***	***
Cash flow from operations					
do-----:	***	***	***	***	***
Ratio to net sales of--					
Gross profit-----percent--:	9.1	1.9	6.1	***	***
Operating income or (loss) do-----:	***	(12.2)	***	***	***
Net income or (loss) before income taxes---percent--:	***	(16.0)	***	***	***
Cost of goods sold do-----:	90.9	98.1	93.9	***	***
General, selling, and administrative expenses-----percent--:	***	14.2	***	***	***
Number of firms reporting <u>1/</u> -----:	4	4	4	3	3
Number of firms reporting operating losses-----:	***	***	***	***	***
Number of firms reporting net losses-----:	***	***	***	***	***

1/ * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Capital expenditures.--* * * (table 14). * * *.

Table 14.--Expenditures for facilities used principally in the domestic production, warehousing, and marketing of all products of the establishments and of drycleaning machinery, accounting years 1981-83, and partial years ended June 30, 1983, and ended June 30, 1984

* * * * *

Research and development expenditures--Four U.S. producers 1/ provided data on research and development activities for drycleaning machinery for 1981-83, as shown in the following tabulation:

<u>Period</u>	<u>Research and development expenses</u> (1,000 dollars)
1981-----	***
1982-----	***
1983-----	***
January-June--	
1983-----	***
1984-----	***

Expenses * * * in 1982, * * * in 1983. Interim 1984 figures (reported by three producers) show * * *.

Return on equity.--The following tabulation presents return on equity for overall operations of four reporting U.S. producers from 1981 to 1983, and of three reporting producers for January-June 1983 and 1984. 2/ Return on equity (i.e., net income before income taxes expressed as a percentage of net worth or "owners equity") * * * from 1981 to 1983. At an annual rate, the percentage * * * from the first half of 1983 to the same period in 1984.

<u>Period</u>	<u>Return on equity for overall operations</u> (Percent)
1981-----	***
1982-----	***
1983-----	***
January-June--	
1983 <u>1/</u> -----	***
1984 <u>1/</u> -----	***

1/ Annualized.

1/ * * *.

2/ * * *.

Data are not available to calculate return on equity for operations producing drycleaning machinery. * * *.

* * *.--* * *.

* * * * *

Consideration of Material Injury or the Threat of Material
Injury to an Industry in the United States Should the
Antidumping Order Be Revoked

The industry in West Germany

Bowe and Seco are the only known producers of drycleaning machinery in West Germany. Data on shipments of drycleaning machinery 1/ suggest that, of the two, * * *. Bowe's average yearly shipments 2/ number * * *, compared with an average of * * * for Seco. Of the total Bowe shipments, an average of * * * per year are to the home-market, and * * * per year are exported to countries other than the United States. Seco averages * * * home-market shipments per year and * * * exports to countries other than the United States.

The following tabulation compares the number of drycleaning machines exported to the United States by Bowe and Seco:

* * * * *

Bowe produces a full range of drycleaning machinery, primarily for European markets. Environmental regulations affecting such machinery are currently more stringent in Europe than in the United States. As a result, Bowe designs its machines to meet these standards with a higher level of complexity and price than is necessary in the U.S. market. It is this difference in engineering requirements between the U.S. and European markets that caused A.P.I. to design the flex machine specifically for the U.S. market. 3/ Bowe's production of flex and of other drycleaning machinery is presented in the following tabulation:

* * * * *

1/ As presented in this paragraph, data on shipments of drycleaning machinery are the average number of units shipped for Bowe during the period 1981-83, and for Seco, during the periods 1978-80 and Nov. 1, 1981, to Oct. 31, 1982. Data for Seco are derived from questionnaire responses by that company to the Department of Commerce.

2/ Complete data on Bowe's shipments and inventories are presented tables C-2 and C-3.

3/ Petition, p. 16; transcript of the hearing, p. 18.

Bowe's capacity for production of drycleaning machinery, * * *, has * * * since 1981. Capacity utilization is * * *, as the following tabulation demonstrates:

* * * * *

U.S. imports

U.S. imports of drycleaning machinery since 1972 have been erratic. ^{1/} Imports increased from 1972 to 1973, decreased by 64 percent from 1973 to 1975, increased in 1976, dropped again in 1977, climbed in 1978 and 1979, declined in 1980, and then climbed again in 1981 through 1983. Imports finally surpassed 1973 levels in 1979 by 24 percent, and since that time, have consistently exceeded the import levels of the early 1970's.

Data on total imports of coin-operated drycleaning machines are available through 1977: between 1972 and 1977 coin-operated machines averaged 11 percent of total imports, reaching their highest level in 1973, when such machines constituted 21 percent of total imports.

The share of imports held by exporters from West Germany has fluctuated widely, reaching both its highest (53 percent) and lowest (7 percent) levels in the last 5 years. Table 15 presents total U.S. imports of drycleaning machinery, in numbers of units, and the share of the total which was imported from West Germany.

Table 15.--Drycleaning machinery: U.S. imports, total and from West Germany, 1972-83

Year	Total	Percent of total from West Germany	Year	Total	Percent of total from West Germany
	Units			Units	
1972-----	582	45	1978-----	406	38
1973-----	608	37	1979-----	756	53
1974-----	337	26	1980-----	622	36
1975-----	220	26	1981-----	702	29
1976-----	352	32	1982-----	1,048	7
1977-----	336	51	1983-----	1,531	16

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

^{1/} Official statistics of the Department of Commerce describing imports of drycleaning machinery from Japan in 1972 appear to be erroneous. According to the petitioners, Japan has never exported such machinery to the United States; petitioners' prehearing brief, p. 24, n. 10. These questionable data are, therefore, subtracted from Commerce statistics as presented in this section.

A number of foreign countries have accounted for the largest yearly share of U.S. imports of drycleaning machinery since 1972. Table 16 presents the country with the largest unit share of imports in each year, and the amount of that share, in percent.

Table 16.--Drycleaning machinery: U.S. imports,
by specified sources, 1972-83

(In percent)					
Year	Country	Share	Year	Country	Share
1972-----	West Germany:	45	1978-----	West Germany:	38
1973-----	West Germany:	37	1979-----	West Germany:	53
1974-----	Ireland :	48	1980-----	Italy :	47
1975-----	Italy :	30	1981-----	Italy :	63
1976-----	United :		1982-----	Italy :	72
	Kingdom :	35	1983-----	Italy :	78
1977-----	West Germany:	51			

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

Table 17 presents import data as reported by the Commerce Department, by country, for January 1981 through June 1984. The Italian share of the total value of imports during this period increased in 1982, but unlike the Italian share of imported units, decreased in 1983. This decrease may be the result of consistently decreasing unit values of Italian drycleaning machines between 1981 and 1983, and a sharp 1983 increase in imports of high unit value from West Germany.

Imports from West Germany as reported by U.S. importers are presented in table 18. These data differ from official statistics of the Commerce Department in two respects. First, they do not include imports from West Germany of drycleaning machines which are partially or completely made in a third country (see the section entitled "U.S. importers."). Second, * * *.

Table 17.--Drycleaning machinery: U.S. imports, by sources, 1981-83, January-June 1983, and January-June 1984 ^{1/}

Source	1981	1982	1983	January-June--	
				1983	1984
Quantity (units)					
Canada-----	21	18	15	6	6
West Germany-----	205	70	242	70	184
Italy-----	441	750	1,190	553	732
United Kingdom-----	32	142	83	70	6
All other 2/-----	3	68	1	0	180
Total-----	702	1,048	1,531	699	1,108
Value (1,000 dollars)					
Canada-----	96	274	275	126	134
West Germany-----	2,278	1,142	2,875	616	2,430
Italy-----	3,417	5,720	7,754	3,872	4,892
United Kingdom-----	382	912	339	176	128
All other 2/-----	16	164	9	-	1,414
Total-----	6,189	8,212	11,252	4,790	8,998
Unit value					
Canada-----	\$4,568	\$15,225	\$18,322	\$20,925	\$22,357
West Germany-----	11,112	16,315	11,879	8,803	13,208
Italy-----	7,748	7,626	6,516	7,002	6,683
United Kingdom-----	11,951	6,422	4,086	2,516	21,312
All other 2/-----	5,409	2,413	9,385	-	7,854
Average-----	8,817	7,836	7,349	6,852	8,121

^{1/} Data for West Germany presented in this table are not consistent with data reported by U.S. importers. Commerce data, unlike importers' data, include imports partially or completely made in a third country which are shipped through West Germany * * *.

^{2/} Includes Belgium, France, Netherlands, Spain, and Sweden.

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

Table 18.--Drycleaning machinery: U.S. imports from West Germany, 1981-83, January-June 1983, and January-June 1984 ^{1/}

Item	1981	1982	1983	January-June--	
				1983	1984
Quantity-----units--	***	***	***	***	***
Value-----1,000 dollars--	***	***	***	***	***

^{1/} Data presented in this table are not consistent with official statistics of the Commerce Department. These data, unlike Commerce data, do not include imports partially or completely made in a third country which are shipped through West Germany, * * *.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Market penetration by imports

Domestic shipments of drycleaning machinery imported from West Germany averaged 7 percent of apparent U.S. unit consumption and 15 percent of value from January 1981 to June 1984. The yearly pattern of market penetration by such imports varied erratically, as presented in table 19. Imports from countries other than West Germany accounted for a share of unit consumption that steadily increased from * * * percent in 1981 to * * * percent in 1983 and * * * percent in January-June 1984. These imports did not garner a consistently high share of the value of consumption, however; their share of value increased in 1982 but fell in 1983 and fell again between January-June 1983 and January-June 1984. The share of the market held by U.S.-produced drycleaning machines from 1981 to 1983 follows a trend opposite that of imports--consistently decreasing as a percentage of both units and value. In January-June 1984, however, domestic consumption of U.S.-produced machines increased by 11 percent of units and 29 percent of value.

From 1981 to 1982, domestic consumption increased by 292 units. Imports from countries other than West Germany took all of this increase and at the same time eroded the market share of imports from West Germany by * * * percent and that of U.S.-produced machines by * * * percent. From 1982 to 1983, consumption increased by 385 units. Imports from West Germany took * * * percent of this increase, other imports took * * * percent, and all imports together reduced the market share of U.S.-produced machines by * * * percent. From January-June 1983 to January-June 1984, consumption increased by 464 units. Imports from West Germany took * * * percent of this increase, other imports took * * * percent, and U.S.-produced machines took * * * percent. The large market gains by imports in this period caused the share held by U.S.-produced machines to fall by * * * percent.

Table 19.--Drycleaning machinery: Apparent U.S. consumption expressed as the sum of domestic shipments of U.S.-produced machines, domestic shipments of machines imported from West Germany, and imports of machines from all other countries, 1981-83, January-June 1983, and January-June 1984

Item	1981	1982	1983	January-June--	
				1983	1984
Quantity (units)					
Domestic shipments of U.S. production-----	***	***	***	***	***
Domestic shipments of imports from West Germany-----	***	***	***	***	***
Imports from other countries <u>1/</u> -----	***	***	***	***	***
Total U.S. consumption-----	1,722	2,014	2,399	1,131	1,595
Percent of total quantity					
Domestic shipments of U.S. production-----	***	***	***	***	***
Domestic shipments of imports from West Germany-----	***	***	***	***	***
Imports from other countries <u>1/</u> -----	***	***	***	***	***
Total U.S. consumption-----	100	100	100	100	100
Value (1,000 dollars)					
Domestic shipments of U.S. production <u>2/</u> -----	***	***	***	***	***
Domestic shipments of imports from West Germany-----	***	***	***	***	***
Imports from other countries <u>1/</u> -----	***	***	***	***	***
Total U.S. consumption-----	15,845	18,830	22,980	10,281	16,268
Percent of total value					
Domestic shipments of U.S. production <u>2/</u> -----	***	***	***	***	***
Domestic shipments of imports from West Germany-----	***	***	***	***	***
Imports from other countries <u>1/</u> -----	***	***	***	***	***
Total U.S. consumption-----	100	100	100	100	100

1/ * * *. Includes imports for consumption only.

2/ * * * did not report value of shipments.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

Importers' inventories

One importer of drycleaning machinery from West Germany, A.P.I., reported inventories over the period January 1980 to June 1984. * * *. 1/ * * *.

Prices

Price data.--Data on prices of drycleaning machinery were provided by seven U.S. producers, representing 64 percent of 1983 production, and by A.P.I., * * *. These firms reported transaction prices for drycleaning machines with load capacities of 30, 40, and 60 pounds. 2/ Twelve purchasers of drycleaning machinery also provided data on 30-pound-capacity machines; these companies are distributors whose purchases accounted for 4 percent of apparent U.S. consumption in 1983.

In order to ensure a reasonable degree of product comparability, unit prices were requested for basic, open-cycle machines that include dry-to-dry systems, stills, standard filters, and two tanks. Reporting firms were asked to exclude the costs of additional options such as closed-cycle systems, wide-body filters, heat pumps, additional tanks, the automation of additional tanks, and "dosers" 3/ from their price calculations.

Data on prices of drycleaning machinery are insufficient to determine clear trends but are sufficient to make rough comparisons between prices of domestic and imported machines. An analysis of trends in domestic weighted-average prices is complicated by the fact that some high-priced and some low-priced producers did not provide data for all quarters. Data available from public sources, however, indicate that domestic prices have been stable during the period January 1983 through June 1984. The Producer Price Index for all drycleaning equipment showed practically no change, fluctuating by less than 2 percentage points. 4/ As with domestic machines, reported data show no clear trend in prices of West German machines. The data do show, however, that prices of West German machines have generally been higher than the average prices of domestic products. 5/

1/ Complete data on A.P.I.'s inventories are presented in table C-4.

2/ Prices for machines of 15-pound load capacity were requested, but such machines are reportedly not manufactured by U.S. producers.

3/ Although these features are offered as standard equipment rather than as options by some manufacturers on some models, they are not standard features throughout the industry. They have, therefore, been defined as "options" by the Commission staff in order to define a basic drycleaning machine for which approximately comparable prices can be obtained.

4/ This index, which is published by the Bureau of Labor Statistics, was not available prior to January 1983.

5/ Transcript of the hearing, pp. 33-34.

Prices of domestic drycleaning machines as reported by U.S. producers and of imported machines from West Germany as reported by A.P.I. are presented in tables 20 through 22. Prices charged by individual producers for 40-pound machines ranged widely from about \$8,000 to \$22,500 (table 20), and producers' prices for 60-pound machines ranged from less than \$10,000 to over \$28,000 (table 21), during the 2-1/2-year period. U.S. producers' prices for both the 40- and 60-pound machines fluctuated from quarter to quarter with no apparent trend throughout this period. The average U.S. price of a 40-pound machine varied from a low of \$11,745 in October-December 1982 to a high of \$17,341 in October-December 1983. The average price of a 60-pound machine varied from \$16,948 in April-June 1982 to \$22,774 in October-December 1982.

Producers' prices for 30-pound machines are based upon limited data. Producers of lower priced products provided prices only during the early part of the 2-1/2-year period, but producers of higher priced machinery provided data for only the later part of the period. As a result, the weighted-average price is significantly higher in October-December 1983 and in January-June 1984 than in earlier periods. The average varied from a low of \$4,410 in January-March 1982 to a high of \$15,188 in April-June 1984 (table 22).

Prices reported by A.P.I., * * *, were * * * average U.S. producers' prices for all capacity categories during most quarters where comparisons could be made. For 40-pound-capacity machines, A.P.I.'s price of * * * during April-June 1982 was * * * the level for domestic machines with this load capacity. * * *. Between April 1983 and June 1984, A.P.I.'s price for its 40-pound capacity size flex machines, which varied from * * * to * * *, was * * * than domestic prices by amounts ranging from about * * * in the fourth quarter of 1983 to * * * in the first quarter of 1984 (table 20). In the case of 60-pound-capacity machines only two comparisons were possible. In the second quarter of 1982, A.P.I.'s price of * * * was * * * the domestic price of \$16,948, and in the fourth quarter of 1983 the West German price of * * * the U.S. price by * * * (table 21).

A.P.I.'s prices for 30-pound machines were * * * the domestic average in three out of four quarters where comparisons could be made. In January-March 1982 the A.P.I. price of * * * was * * * the U.S. average, and in July-September 1983 A.P.I.'s price of * * * was * * * the U.S. average. However, in October-December 1983 the West German price of * * * was * * * the U.S. average of \$14,600. * * * (table 22).

Table 20.--Drycleaning machinery: Weighted-average prices and ranges of prices reported by domestic producers and by importers from West Germany 1/ for 40-pound load capacity machines, 2/ by quarters, January 1982-June 1984

(Per unit)				
Period	Domestic		Average, imported from West Germany <u>3/</u>	
	Range	Average		
1982:				
January-March-----	\$8,062-\$17,143	\$12,314	<u>4/</u>	
April-June-----	8,062-15,187	12,474	<u>5/</u>	***
July-September-----	8,062-17,512	12,442	<u>4/</u>	
October-December---	8,855-15,187	11,745	<u>4/</u>	
1983:				
January-March-----	8,855-20,569	15,327	<u>4/</u>	
April-June-----	8,855-22,400	14,664	<u>6/</u>	***
July-September-----	8,855-22,400	14,875	<u>6/</u>	***
October-December---	10,857-22,506	17,341	<u>6/</u>	***
1984:				
January-March-----	8,855-16,132	12,979	<u>6/</u>	***
April-June-----	8,855-20,996	14,841	<u>6/</u>	***

1/ Data were provided by 5 U.S. producers, representing 55 percent of 1983 production, and by A.P.I., * * *.

2/ Prices are less all discounts and allowances (except trade-in allowances), f.o.b. point of shipment.

3/ Represents the response of only 1 importer.

4/ Not available.

5/ Model Astro 40.

6/ Model M40 ("flexible").

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 21.--Drycleaning machinery: Weighted-average prices and ranges of prices reported by domestic producers and by importers from West Germany 1/ for 60-pound load capacity machines, 2/ by quarters, January 1982-June 1984

(Per unit)			
Period	Domestic		Average, imported from West Germany <u>3/</u>
	Range	Average	
1982:			
January-March-----	\$9,721-\$24,000	\$19,494	<u>4/</u>
April-June-----	9,721-23,100	16,948	<u>5/</u> ***
July-September-----	9,721-28,145	22,681	<u>4/</u>
October-December---	10,465-28,145	22,774	<u>4/</u>
1983:			
January-March-----	18,933-23,997	21,465	<u>4/</u>
April-June-----	10,465-23,100	17,499	<u>4/</u>
July-September-----	10,465-23,100	17,858	<u>4/</u>
October-December---	10,465-23,100	20,368	<u>5/</u> ***
1984:			
January-March-----	10,465-20,930	18,166	<u>4/</u>
April-June-----	10,465-20,930	18,012	<u>4/</u>

1/ Data were provided by 4 U.S. producers, representing 41 percent of 1983 production, and by A.P.I., * * *.

2/ Prices are less all discounts and allowances (except trade-in allowances), f.o.b. point of shipment.

3/ Represents the response of only 1 importer.

4/ Not available.

5/ Model Astro 70.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 22.--Drycleaning machinery: Weighted-average prices and ranges of prices reported by domestic producers and by importers from West Germany, 1/ for 30-pound load capacity machines, 2/ by quarters, January 1982-June 1984

(Per unit)			
Period	Domestic		Average, imported from West Germany <u>3/</u>
	Range	Average	
1982:			
January-March-----	\$3,941-\$11,501	\$4,410	<u>6/</u> ***
April-June-----	3,941-13,164	5,076	<u>4/</u>
July-September-----	3,941-13,685	5,226	<u>4/</u>
October-December-----	3,941-17,170	6,014	<u>4/</u>
1983:			
January-March-----	4,210-13,685	6,847	<u>4/</u>
April-June-----	4,210-13,751	8,495	<u>4/</u>
July-September-----	4,210-14,992	5,800	<u>6/</u> ***
October-December-----	13,308-15,892	14,600	<u>6/</u> ***
1984:			
January-March-----	<u>5/</u>	14,063	<u>4/</u>
April-June-----	<u>5/</u>	15,188	<u>7/</u> ***

1/ Data were provided by 6 U.S. producers, representing 50 percent of 1983 production, and by A.P.I., * * *.

2/ Prices are less all discounts and allowances (except trade-in allowances), f.o.b. point of shipment.

3/ Represents the response of only 1 importer.

4/ Not available.

5/ Data available from only 1 producer.

6/ Model P314.

7/ Model M30 ("flexible").

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Additional price data on purchases of 30-pound-capacity machines are presented in table 23. These data were obtained from purchasers that are distributors of drycleaning machinery. The data are not sufficient for developing a price series for domestically produced drycleaning machines. However, West German prices are available for 8 out of 10 quarters. The West German prices for 30-pound-capacity machines as shown in table 23 were * * * U.S. producers' prices for comparable machines as shown in table 22, * * *. The price of one flex machine, which is reported in April-June 1984, is * * * the U.S. producer's price for the same period, as presented in table 22. Prices of imported machines from Italy, which were obtained largely from one purchaser for a single model, were * * * than the West German average * * *.

Table 23.--Drycleaning machinery: Weighted-average prices reported by purchasers of imported machines from West Germany and Italy, 1/ with 30-pound load capacities, 2/ by quarters, January 1982-June 1984

(Per unit)		
Period	West Germany	Italy <u>3/</u>
1982:		
January-March-----	<u>4/</u> *** :	<u>5/</u> ***
April-June-----	<u>4/</u> *** :	<u>5/</u> ***
July-September-----	<u>6/</u> : :	<u>5/</u> ***
October-December-----	<u>4/</u> *** :	<u>5/</u> ***
1983:		
January-March-----	<u>4/</u> *** :	<u>5/</u> ***
April-June-----	<u>4/</u> *** :	<u>5/</u> ***
July-September-----	<u>4/</u> *** :	<u>5/</u> ***
October-December-----	<u>4/</u> *** :	<u>5/</u> ***
1984:		
January-March-----	<u>6/</u> : :	<u>5/</u> ***
April-June-----	<u>7/</u> *** :	<u>6/</u>

1/ Data were provided by 12 purchasers that are distributors whose purchases together accounted for 4 percent of apparent U.S. consumption in 1983.

2/ Prices are less all deductions, discounts, and allowances, f.o.b. point of shipment.

3/ Data are based largely upon the responses of a single purchaser.

4/ * * *.

5/ Prices are for Italian machines of 30 pound capacity size, with dry-to-dry, open-cycle systems.

6/ Not available.

7/ Price is for A.P.I.'s model M30c ("flexible"), an open-cycle machine.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Influence of price on purchasing decisions.--In addition to providing price data, purchasers of drycleaning machines responded to a survey 1/ on the importance of price in making a decision to buy a drycleaning machine. Both distributors and end users were asked to rank price, product quality, quality of service, reliability of vendor, proximity of vendor, and product availability on a scale of 1 to 5 in terms of their importance in influencing purchasing decisions. A rating of "5" indicated that the item is a most important factor in the buying decision, and a rating of "1" indicated a least important factor. Responses suggest that price tends to be less important than other considerations in making a decision to purchase drycleaning machinery. Fifteen purchasers gave a "5" rating to product quality, 10 gave quality of vendor a "5" rating, and 8 rated reliability of service at a "5" level. However, only 5 purchasers gave a "5" rating to price. Ten other purchasers rated price at either a "2", "3", or "4" level, indicating that

1/ Eighteen purchasers responded; their purchases together accounted for 7 percent of apparent U.S. consumption in 1983.

they consider it to be moderately important in a buying decision; three buyers rated price at a "1" level. Three purchasers gave a "5" rating to product availability, whereas 12 purchasers described this factor as moderately important, rating it at a "3" or "4" level. Sixteen purchasers described proximity of the vendor as relatively unimportant, rating it at a level of "3" or lower.

Additional information from purchaser's questionnaires provides further evidence that factors other than price often determine purchasing decisions. A number of purchasers of drycleaning machines provided pricing data which compared the amount that they paid for machines which were purchased with amounts that they would have paid for machines which were considered but rejected. The geographic location of each of these purchasers and the model numbers and prices of machines that were compared are shown in table 24. The data show that in 10 out of 13 cases, * * * machines were purchased in preference to * * * machines. In seven instances a * * * West German machine was bought instead of a * * * domestic machine. In one case, a West German machine was purchased instead of a * * * domestic product, and in one case a * * * domestic product was purchased in preference to a * * * West German item. Table 24 also presents three transactions which involved Italian machines.

Transportation costs.--Transportation costs do not seem to be a major factor in the competition for sales of drycleaning machines. Shipments of these expensive machines are usually made by truck, with purchasers normally bearing the charges. In an analysis of 21 transactions involving domestic, West German, or Italian machines that were reported by purchasers during the period January 1982 through June 1984, these costs were fairly small, ranging from a low of about 1 percent to a high of about 4 percent of the final delivered price.

Exchange rates.--Quarterly indexes of the nominal and real exchange rates of the West German deutsche mark show that the currency depreciated significantly in relation to the dollar between January 1982 and June 1984 (table 25). In nominal terms the mark depreciated by 13.4 percent during this 2-1/2-year period. Adjusting the exchange-rate index for relative rates of inflation in the United States and West Germany did not significantly affect the result. In real terms the deutsche mark declined by 12.6 percent relative to the dollar during this period.

Projections

The U.S. market.--The retail drycleaning industry is the largest market for drycleaning machinery in the United States. The International Fabricare Institute (IFI), a trade association for the industry, has found a "recovery trend" in retail drycleaning over the past 5 or 6 years: plants have become more stable financially, and equipment purchases have increased. Although acknowledging this trend, the IFI does not make projections as to the future health of the industry. 1/ Both the petitioner 2/ and Vic Manufacturing

1/ Telephone conversation with Mr. W. Fisher, IFI, Nov. 7, 1984.

2/ Transcript of the hearing, p. 26; petitioners' exhibit No. 2; petitioners' posthearing brief, app. 1, p. 3.

Table 24.--Drycleaning machinery: Comparisons of prices paid by distributors of drycleaning machinery for purchased units, and prices of units which were considered but rejected, by locations of the purchasers and by quarters, January 1982-September 1984

(Per unit)					
Period	Location	Unit purchased		Unit not purchased	
		Model	Price	Model	Price
1982:					
January-March-----	* * *	: Permac 314c <u>1</u> /	: ***	: Marvel DD30 <u>2</u> /	: ***
April-June-----	* * *	: Permac 314c <u>1</u> /	: ***	: Detrex 8-90-H <u>2</u> /	: ***
July-September-----	* * *	: Suprema 850S/2 <u>3</u> /	: ***	: Marvel DD35 <u>2</u> /	: ***
October-December----	* * *	: Vic 406 FS <u>2</u> /	: ***	: Permac 314c <u>1</u> /	: ***
October-December----	* * *	: Permac 314c <u>1</u> /	: ***	: Detrex 8-90-H <u>2</u> /	: ***
1983:					
January-March-----	* * *	: Permac 314c <u>1</u> /	: ***	: Marvel DD35 <u>2</u> /	: ***
April-June-----	* * *	: Vic 406 FS <u>2</u> /	: ***	: Permac 314c <u>1</u> /	: ***
April-June-----	* * *	: Permac 314c <u>1</u> /	: ***	: Marvel DD35 <u>2</u> /	: ***
July-September-----	* * *	: Permac 314c <u>1</u> /	: ***	: Marvel DD30 <u>2</u> /	: ***
October-December----	* * *	: Suprema 850S/2 <u>3</u> /	: ***	: Marvel DD35 <u>2</u> /	: ***
1984:					
January-March-----	* * *	: Permac M30ct "Flex" <u>1</u> /	: ***	: Marvel DD35 <u>2</u> /	: ***
April-June-----	* * *	: Fluormatic PS242 <u>3</u> /	: ***	: Permac M30 "Flex" <u>1</u> /	: ***
July-September-----	* * *	: Permac M30ct "Flex" <u>1</u> /	: ***	: Detrex (unspecified) <u>2</u> /	: ***

1/ Imported from West Germany. * * *

2/ Produced in the United States.

3/ Imported from Italy.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 25.--Indexes 1/ of nominal and real exchange rates between the U.S. dollar and the West German deutsche mark, by quarters, January 1982-June 1984

(January-March 1982=100)			
Period	Nominal exchange rate	Real exchange rate	
1982:			
January-March-----	100.0		100.0
April-June-----	98.7		99.4
July-September-----	94.5		95.6
October-December-----	93.8		95.2
1983:			
January-March-----	97.4		98.5
April-June-----	94.4		95.5
July-September-----	88.8		89.6
October-December-----	87.6		88.6
1984:			
January-March-----	86.6		87.6
April-June-----	86.6		87.4

1/ Based upon exchange rates that are expressed in U.S. dollars per West German deutsche mark.

Source: Compiled from official statistics of the International Monetary Fund.

Co. 1/ have projected that the retail drycleaning industry and the concomitant market for drycleaning machinery will be strong over the next few years.

The IFI notes that the outlook for the retail drycleaning industry will be determined by Government action affecting perchlorethylene. The solvent is undergoing research to determine if it is a carcinogen and scrutiny by Congress and the Environmental Protection Agency to control its emission to the atmosphere. If perchlorethylene is banned as a carcinogen, the industry will "go through an upheaval." 2/ Even barring such a crisis, the industry is likely to be subject to increased emissions regulations in the future.

The effect of such regulation on the industry as a market for drycleaning machinery may be positive, increasing demand for machines, 3/ and particularly favoring manufacturers of dry-to-dry, emission-controlled machines. On the other hand, the effect of such regulation may be to decrease the number of drycleaning plants and depress the industry as a market for drycleaning machinery.

The drycleaning machinery industry.--In its questionnaires, the Commission requested business projections for the drycleaning machinery

1/ Transcript of the hearing, p. 85.

2/ Telephone conversation with Mr. W. Fisher, IFI, Nov. 7, 1984.

3/ Petitioner's prehearing brief, p. 20; transcript of the hearing, pp. 23-4; petitioner's exhibit No. 1; petitioner's posthearing brief, p. 5.

industry based on current business conditions, and also requested explanations of how the revocation of the antidumping order would affect these projections. Six U.S. producers, representing * * * percent of 1983 U.S. production, provided business projections based on current conditions, and eight producers, representing 98 percent of 1983 production, discussed the effects of the antidumping order on them and their business projections. A.P.I. provided projections data, as did its West German parent, Bowe.

Table 26 presents business projections by U.S. producers of drycleaning machinery, based upon current business conditions. Of the respondents, only one firm, * * *, projects decreased U.S. production offset by increased imports. All other companies project increased production through 1985. Shipments are projected to increase by 25 percent between 1983 and 1985. Price projections by reporting firms varied: some prices rose, other remained flat, and those of one firm showed a decrease, creating an average projected price increase from 1983 to 1985 of 2 percent. Employment in the industry,

Table 26.--Drycleaning machinery: Production, imports, shipments, inventories, and prices, 1/ and the average number of workers employed in the production of such machinery, as reported by U.S. producers, 1983, and as projected by U.S. producers, 1984 and 1985

Item	1983 <u>2/</u>	1984	1985
Production-----units--:	***	***	***
Imports:			
Quantity-----units--:	***	***	***
Value-----1,000 dollars--:	***	***	***
Domestic shipments:			
Quantity-----units--:	625	668	779
Value <u>3/</u> -----1,000 dollars--:	5,984	6,326	7,467
Exports:			
Quantity-----units--:	***	***	***
Value-----1,000 dollars--:	***	***	***
End-of-period inventories <u>3/</u> ---units--:	***	***	***
Prices <u>1/</u> <u>3/</u> -----:	100	101	102
Employment of production and related			
workers producing drycleaning			
machinery:			
Average number employed <u>3/</u> -----:	65	54	56
Hours worked <u>3/</u> -----1,000 hours--:	105	117	124

1/ Prices for 1984 and 1985 are average increases expressed as a percentage of 1983 prices, using an index of 100 for 1983.

2/ Data for 1983 are included only for those firms providing projections for 1984 and 1985.

3/ 1 firm not reporting.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

after decreasing in 1984, is projected to increase in 1985, with hours worked steadily increasing over the same 3 years.

Table 27 presents business projections by A.P.I. based upon current business conditions. * * *

Table 27.--Drycleaning machinery: Imports, shipments, inventories, and prices 1/ of machines imported from West Germany, as reported by A.P.I., 1983, and as projected, 1984 and 1985

* * * * *

Table 28 presents business projections by the German exporter Bowe, based upon current business conditions. * * *. At the Commission's public hearing, Mr. Peter Boden, chairman of Bowe, stated, "We project that within the next few years we will supply Flex machines up to our full practical capacity of about 350 to 400 units annually. . . ." 1/ Once their limit of practical capacity is reached, Bowe will be unable to increase shipments of flex machines to the United States. 2/ Practical capacity can be increased only by a "sizable investment in additional facilities." 3/ Such an investment is "not perceived for the foreseeable future; . . . the North American market will be required to fund its own expansion, if any." 4/ If an increase in capacity is needed, "Petitioners would probably establish additional productive facilities in the United States." 5/

Table 28.--Drycleaning machinery: Production, shipments, and inventories, as reported by Bowe, 1983, and as projected, 1984 and 1985

* * * * *

Questionnaires requested narrative comments by U.S. producers, U.S. importers, and one foreign producer, Bowe, describing the impact of the antidumping duties on them when the duties were first imposed (e.g., 1972 to 1975) and in recent years (e.g., 1982 to 1984). Firms were then asked to describe the changes in their business projections which would occur if the antidumping order were revoked in December 1984. Finally, firms were asked how well their company will compete in the drycleaning machinery market over the next 5 years and whether their opinion as to their company's competitiveness would change if the antidumping order were revoked.

1/ Transcript of the hearing, p. 18. Counsel for the petitioner pointed out that Mr. Boden was not certain of this projection, transcript of the hearing, p. 44.

2/ Petitioners' prehearing brief, pp. 31-2; transcript of the hearing, pp. 44-5; petitioners' posthearing brief, pp. 6-7.

3/ Petitioners' prehearing brief, p. 32.

4/ Ibid.

5/ Transcript of the hearing, p. 69; petitioners' posthearing brief, p. 7.

Table 29 summarizes the narrative information provided in response to the Commission's projections questions. Entries attributed to specific firms are quotes from questionnaire responses which summarize those responses. Explanatory information, including excerpted quotations from questionnaires, is set out, where necessary, in footnotes.

Of the U.S. producers that responded to these questions, * * * projected that the revocation of the antidumping order would have a detrimental effect. 1/ Both Bowe and A.P.I. state * * *.

1/ * * *, Vic Manufacturing Co., reaffirmed this projection at the Commission's public hearing, transcript of the hearing, p. 85, and also stated that other members of the U.S. industry would be "impacted" by the lifting of the order, transcript of the hearing, pp. 78-80. Detrex Chemical Industries, Inc., although not stating that it would be injured by revocation of the order, suggests that other U.S. producers have ceased operations owing to "West German firms' practices;" letter to the Commission dated Oct. 22, 1984. At the Commission's public hearing, Vic Manufacturing Co. agreed to provide information on "underselling" by imports of West German drycleaning machines, transcript of the hearing, p. 78. This information is presented in app. D.

Table 29.--Summary of responses to narrative opinion questions on the past, present, and prospective effects of the antidumping order on firms, as reported by U.S. producers of drycleaning machinery, 1/ U.S. importers of drycleaning machinery from West Germany, 2/ and one West German producer of drycleaning machinery

Question:	U.S. producers									U.S. importer	W. German producer
In your opinion --	***	***	***	***	***	***	***	***	***	A.P.I. <u>14/</u>	Bowe
What was impact of antidumping duty on firm when first imposed (1972-75)?	Cannot determine. <u>3/</u>	Unknown	None	None	Shipments increased each of these years.	Negligible.	No impact. <u>12/</u>	Unknown	*** <u>15/</u>	*** <u>18/</u>	
What has been impact of antidumping duty in last 3 years (1982-84)?	Helped us to be price competitive.	Unknown	None	None	Undeterminable <u>6/</u>	Substantial.	None	Unknown	*** <u>16/</u>	*** <u>19/</u>	
If the antidumping order were revoked in December 1984, how would projections change?	Reduce sales,... employees,... profits <u>4/</u>	Unknown. ...may be forced to consider importing.	No change.	(No response)	Worsen our situation ...reduce all indicators. <u>7/</u>	(No response) <u>10/</u>	No changes anticipated.	Lower 1985 business volume by 10 to 20 percent. <u>13/</u>	***	*** <u>20/</u>	
How well will firm compete in drycleaning machinery market over next 5 years?	Sales will grow. <u>5/</u>	Dependent on value of U.S. dollar.	***	(No response)	Should compete effectively. <u>8/</u>	*** <u>11/</u>	***	***	*** <u>17/</u>	*** <u>21/</u>	
Would opinion as to competitive position change if antidumping order were revoked?	Yes: cost ...to end user is most important.	(No response)	No	(No response)	Yes: detrimental to survival of our company <u>9/</u>	Not significantly.	No: ***	Yes: decrease if not eliminate U.S.-produced machines.	***	***	

See footnotes on p. A-45.

Footnotes for table 29:

- 1/ *** did not respond.
- 2/ Which is manufactured in West Germany.
- 3/ ***
- 4/ "We estimate it would reduce our unit drycleaning machine sales by 25% or about *** units. This would probably result in the layoff of *** employees and a reduction in our profits of ***."
- 5/ "Reasons: (1) Better product than European equipment, (2) the U.S. government will not permit European dumping, (3) the U.S. dollar vs. foreign currency will not remain as unfavorable as it is at the present time."
- 6/ "Due to the impact of the low priced machines being imported from Italy and West Germany."
- 7/ "...by adding more low priced machines to our U.S. market, it would definitely reduce all of the mentioned indicators, to a serious extent."
- 8/ "...***."
- 9/ "Considering recent unreasonable reductions on prices of *** products, we think they are likely to flood our market with products at greatly reduced prices, as soon as restrictions are removed."
- 10/ "***."
- 11/ "***."
- 12/ "...***."
- 13/ "...probably require larger effort to import for resale."
- 14/ ***
- 15/ "***...."
- 16/ "***."
- 17/ "...***."
- 18/ "***."
- 19/ "...***."
- 20/ "***...."
- 21/ "***...."

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

APPENDIX A

FEDERAL REGISTER NOTICES

Drycleaning Machinery From West Germany; Preliminary Results of Administrative Review of Antidumping Finding

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of preliminary results of administrative review of antidumping finding.

SUMMARY: The Department of Commerce has conducted an administrative review of the antidumping finding on drycleaning machinery from West Germany. The review covers the two known manufacturers and exporters of this merchandise to the United States presently covered by the finding and separate time periods for each firm up to June 30, 1980. The review indicates the existence of dumping margins for each firm.

As a result of the review the Department has preliminarily determined to assess dumping duties for those firms equal to the calculated differences between United States price and foreign market value on each of their shipments during the periods of review. Interested parties are invited to comment on these preliminary results.

EFFECTIVE DATE: December 14, 1981.

FOR FURTHER INFORMATION CONTACT: Betsy E. Stillman or David R. Chapman, Office of Compliance, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230 (202-377-4833/2657).

SUPPLEMENTARY INFORMATION:

Background

On November 8, 1972, the Department of the Treasury published in the Federal Register an antidumping finding with respect to drycleaning machinery from

West Germany (T.D. 72-311, 37 FR 23715).

On January 1, 1980, the provisions of title I of the Trade Agreements Act of 1979 became effective. Title I replaced the provisions of the Antidumping Act of 1921 ("the 1921 Act") with a new title VII to the Tariff Act of 1930 ("the Tariff Act"). On January 2, 1980, the authority for administering the antidumping duty law was transferred from the Treasury Department to the Department of Commerce ("the Department"). The Department published in the Federal Register of March 28, 1980 (45 FR 20511-20512) a notice of intent to conduct administrative reviews of all outstanding dumping findings. As required by section 751 of the Tariff Act, the Department has conducted an administrative review of the finding on drycleaning machinery from West Germany. The substantive provisions of the 1921 Act and the appropriate Customs Service regulations apply to all unliquidated entries made prior to January 1, 1980.

Scope of the Review

Imports covered by this review are shipments of drycleaning machinery, currently classifiable under item 670.4100 of the Tariff Schedules of the United States Annotated (TSUSA). The Department knows of two firms engaged in the manufacture and exportation of drycleaning machinery to the United States and presently covered by the finding.

This review covers one firm for all time periods up to June 30, 1980, the most recent date for which information is available, during which the company shipped drycleaning machinery to the United States and for which appraisement instructions ("master lists") were not issued by Treasury. The review for the other firm covers the one-year period from July 1, 1979 to June 30, 1980. We will analyze this firm's sales of drycleaning machinery made during previous unreviewed periods, and certain machines sold during the most recent period, in a subsequent administrative review.

The issue of the Department's obligation to conduct administrative review of entries, unliquidated as of January 1, 1980 and covered by previously issued master lists, is under review. Liquidation has been suspended pending disposition of the issue.

United States Price

In calculating United States price, the Department used exporter's sales price, as defined in section 772 of the Tariff Act or section 204 of the 1921 Act.

Exporter's sales price was based on the packed price from the firm's U.S. affiliate to the first unrelated purchaser in the United States. Where applicable, deductions were made for U.S. duty, brokerage fees, ocean freight, insurance, U.S. and foreign inland freight, handling and demurrage. We also made deductions, where applicable, for discounts and selling expenses. No other adjustments were claimed or allowed.

Foreign Market Value

In calculating foreign market value, the Department used home market price, as defined in section 773 of the Tariff Act or section 205 of the 1921 Act. The foreign market value was adjusted, where applicable, for discounts and for differences in packing. We made deductions for technical assistance, differences in credit costs and for commissions to unrelated parties in accordance with section 353.15 of the Commerce Regulations and § 153.10 of the Customs Regulations. Adjustments were also made for differences in similar merchandise in accordance with § 353.16 of the Commerce regulations and § 153.11 of the Customs regulations. In accordance with § 353.15(c) of the Commerce regulations we made allowances for actual selling expenses incurred in the home market up to the amount of selling expenses incurred in the United States. All selling expenses in the U.S. were deducted from the resale price in accordance with section 772 of the Tariff Act. This was accomplished by deducting all U.S. selling expenses which remained after deducting such expenses to offset the commission paid in the home market.

Additional claims for adjustments for selling expenses were disallowed when they were determined not to be selling expenses or were not properly quantified. We did not allow claims for adjustments to home market price for selling expenses for one respondent because that respondent did not separate U.S. direct from U.S. indirect selling expenses. We could not, therefore, establish the limit to the exporter's sales price offset required by section 353.15(c) of the Commerce Regulations. Level of trade adjustments were disallowed because they were not properly quantified. No other adjustments were claimed or allowed.

Preliminary Results of the Review

As a result of our comparison of United States price to foreign market value, we preliminarily determine that the following margins exist:

Firm	Time period	Margin (percent)
Boewe Maschinenfabrik GmbH	7/1/79-6/30/80	65.95
Boewe Maschinenbau GmbH & Co. Kommanditgesellschaft	1/1/79-6/30/80	10.56

Interested parties may submit written comments on these preliminary results on or before January 13, 1982 and may request disclosure and/or a hearing on or before December 29, 1981. Any request for an administrative protective order must be made no later than December 21, 1981. The Department will publish the final results of the administrative review including the results of its analysis of any such comments or hearing.

The Department shall determine, and the U.S. Customs Service shall assess, dumping duties on all entries made with export dates during the time periods involved. Individual differences between United States price and foreign market value may vary from the percentages stated above. The Department will issue appraisement instructions separately on each shipper directly to the Customs Service.

Further, as provided by § 353.48(b) of the Commerce Regulations, a cash deposit based upon the margins calculated above shall be required on all shipments of drycleaning machinery entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results. This requirement shall remain in effect until publication of the final results of the next administrative review.

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U.S.C. 1675(a)(1)) and § 353.53 of the Commerce Regulations (19 CFR 353.53).

Gary N. Horlick,
Deputy Assistant Secretary for Import Administration.

December 7, 1981.

[FR Doc. 81-35632 Filed 12-11-81; 8:45 am]
BILLING CODE 3510-25-01

Drycleaning Machinery From West Germany; Dismissal of a Request To Institute Review Investigation

AGENCY: U.S. International Trade Commission.

ACTION: Dismissal of a request to institute a section 751(b) review investigation concerning affirmative determination in Investigation No. AA1921-99, Drycleaning Machinery from West Germany.

SUMMARY: The Commission determines that changed circumstances alleged in a request to review the Commission's affirmative determination in investigation No. AA1921-99 regarding drycleaning machinery from West Germany, provided for in item 670.41 of the Tariff Schedules of the United States do not warrant the institution of an investigation pursuant to section 751(b) of the Tariff Act of 1930 (19 U.S.C. 1675(b)).

SUPPLEMENTARY INFORMATION: On September 29, 1972, the Commission determined that an industry in the United States was injured within the meaning of the Antidumping Act, 1921, by reason of imports of drycleaning machinery from West Germany determined by the Secretary of Treasury to be sold or likely to be sold at less than fair value (LTFV).

On November 8, 1972, the Department of the Treasury issued a finding of dumping (T.D. 72-311) and published notice of the dumping finding in the Federal Register (37 FR 23715).

On October 28, 1981, the Commission received a request to review its affirmative determination in investigation No. AA1921-99. The request was filed pursuant to section 751(b) of the Tariff Act of 1930 by the law firm of Barnes, Richardson, & Colburn on behalf of Boewe

Maschinenfabrik, GmbH, a West German exporter of drycleaning machinery, and American Permac Inc., a related U.S. importer of such merchandise.

On November 25, 1981, the Commission published a notice in the Federal Register (46 FR 57776) requesting public comment concerning whether the following alleged changed circumstances were sufficient to warrant institution of a review investigation: (1) Domestic consumption of drycleaning machines has been increasing steadily during the past five years, (2) sales of machines with large capacity, new technology, and more environmentally safe features used almost exclusively by professional drycleaners have increased, while sales of smaller coin-operated machines have declined markedly, and (3) imports of drycleaning machines from West Germany have declined from 15 percent of U.S. consumption in 1972 to 10 percent in 1981.

The Commission received comments from the law firm of Steptoe & Johnson on behalf of Detrex Chemical Industries, Inc., a U.S. producer of drycleaning machinery. The following U.S. producers of drycleaning machinery endorsed and supported the comments filed by Steptoe & Johnson: Washex Machinery Co., American Laundry Machinery Co., and Paramount Engineering Co. Counsel for another U.S. producer of drycleaning machinery, Vic Manufacturing Co., filed comments separately. All of the U.S. producers were petitioners in the Commission's 1972 investigation and took the comment opportunity to urge that the Commission not institute a review investigation.

After having given careful consideration to written submissions from interested parties, the Commission has determined that the circumstances have not changed enough to warrant the institution of a section 751(b) review investigation and, accordingly, dismisses the request. Specifically the Commission found that the alleged shift from small coin-operated machines to large professional-type machines utilizing new technology and environmentally safe features was not a change circumstance but was merely a continuation of a trend that had been discussed in detail in the staff report of the 1972 investigation. Furthermore, contrary to the allegation in the petition, information available to the Commission indicates that on a value basis imports from West Germany as a share of U.S. consumption in 1980 was greater than it was at the time of the 1972 investigation. The Commission does not find the increase in domestic consumption of

drycleaning machines to be a changed circumstance sufficient to warrant reopening this case.

FOR FURTHER INFORMATION CONTACT: Abigail Eltzroth, U.S. International Trade Commission (202-523-0289).

By order of the Commission.

Issued: February 5, 1982.

Kenneth R. Mason,

Secretary.

(FR Doc. 82-3497 Filed 2-8-82; 9:45 am)

BILLING CODE 7020-02-M

**Drycleaning Machinery From West
Germany; Request for Comments
Concerning the Institution of a Section
751(b) Review Investigation**

AGENCY: U.S. International Trade
Commission.

ACTION: Request for comments regarding the institution of a section 751(b) review investigation concerning the Commission's affirmative determination in investigation No. AA1921-89, Drycleaning Machinery from West Germany.

SUMMARY: The Commission invites comments from the public on whether changed circumstances exist which warrant the institution of an investigation pursuant to section 751(b) of the Tariff Act of 1930 (19 U.S.C. 1675(b)) to review the Commission's affirmative determination in investigation No. AA1921-89 regarding drycleaning machinery from West Germany. The purpose of the proposed section 751(b) review investigation, if instituted, would be to determine whether an industry in the United States would be materially injured, would be threatened with material injury, or the establishment of an industry would be materially retarded, by reason of imports of drycleaning machinery from West Germany if the antidumping order is modified or revoked with respect to such merchandise, provided for in item 670.41 of the Tariff Schedules of the United States.

SUPPLEMENTARY INFORMATION: On September 29, 1972, the Commission determined that an industry in the United States was injured within the meaning of the Antidumping Act of 1921, by reason of imports of drycleaning machinery from West Germany determined by the Secretary of Treasury to be sold or likely to be sold at less than fair value (LTFV).

On November 8, 1972, the Department of the Treasury issued a finding of dumping (T.D. 72-311) and published notice of the dumping finding in the *Federal Register* (37 FR 23715).

On October 28, 1981, the Commission received a request to review its affirmative determination in investigation No. AA1921-89. The request was filed pursuant to section 751(b) of the Tariff Act of 1930 by Barnes, Richardson & Colburn on behalf of Boewe Maschinenfabrik, GmbH, a West German exporter of drycleaning machinery, and American Permac, Inc., a related U.S. importer of such merchandise. On February 10, 1982, the Commission issued a notice of dismissal of the request to institute a section 751(b) review investigation concerning the affirmative determination in investigation No. AA1921-89, Drycleaning Machinery from West Germany (47 FR 6119).

On May 18, 1984, the Commission received another request to review its affirmative determination in

investigation No. AA1921-89. The request was filed pursuant to section 751(b) of the Tariff Act of 1930 by Barnes, Richardson & Colburn on behalf of Boewe Maschinenfabrik, GmbH, a West German exporter of drycleaning machinery, and American Permac, Inc., and Bowe Systems & Machinery, Inc., both of which are related U.S. importers and sellers of such merchandise.

Written Comments Requested

Pursuant to § 207.45(b)(2) of the Commission's Rules of Practice and Procedure (19 CFR 207.45(b)(2)), the Commission requests public comments concerning whether the following alleged changed circumstances are sufficient to warrant institution of a review investigation: (1) Imports of the subject merchandise from West Germany have declined absolutely and in relation to imports from other sources for reasons unassociated with the dumping order; (2) A former major West German supplier has reportedly become a U.S. producer of drycleaning machines and is also an importer of Italian machines; (3) U.S. demand for drycleaning machinery has increased significantly and is projected to remain strong; (4) In 1983, Boewe introduced a new generation of "Flex" drycleaning machines in the U.S. market; and (5) The U.S. sales price of imports from West Germany is substantially higher than the price of comparable U.S. products and imports from other countries.

Additional Information

Under § 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8), the signed original and 14 true copies of all written submissions must be filed with the Secretary to the Commission, 701 E Street, NW., Washington, D.C. 20436. All comments must be filed no later than 30 days after the date of publication of this notice in the *Federal Register*. Any person desiring to submit a document (or portion thereof) to the Commission in confidence must request business confidential treatment under § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Such request should be directed to the Secretary to the Commission and must include a full statement of the reasons why the Commission should grant such treatment. Each sheet must be clearly marked at the top "Confidential Business Data." The Commission will either accept the submission in confidence or return it. All nonconfidential written submissions will be available for public inspection in the Office of the Secretary.

Copies of the request for review of the injury determination and any other

public documents in this matter are available to the public during official working hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street NW., Washington, D.C. 20436; telephone 202-523-0181.

FOR FURTHER INFORMATION CONTACT: Abigail Eltzroth, Office of Investigations, U.S. International Trade Commission (202-523-0289).

Issued: June 1, 1984.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 84-15221 Filed 6-3-84; 8:45 am]

BILLING CODE 7030-02-M

(Investigation No. 751-TA-9)

Drycleaning Machinery From West Germany

AGENCY: U.S. International Trade Commission.

ACTION: Institution of a review investigation concerning the Commission's affirmative determination in investigation No. AA1921-99. Drycleaning Machinery from West Germany.

SUMMARY: Notice is hereby given that the United States International Trade Commission has initiated an investigation pursuant to section 751(b) of the Tariff Act of 1930 (U.S.C. 1675(b)) to review its determination in investigation No. AA1921-99. The purpose of the investigation is to determine whether an industry in the United States would be materially injured, or would be threatened with material injury, or the establishment of an industry in the United States would be materially retarded, by reason of imports of drycleaning machinery from West Germany if the antidumping order regarding such merchandise were to be modified or revoked. Drycleaning machinery is provided for in item 670.41 of the Tariff Schedules of the United States.

SUPPLEMENTARY INFORMATION: On September 29, 1972, the commission determined that an industry in the United States was injured within the meaning of the Antidumping Act of 1921, by reason of imports of drycleaning machinery from West Germany determined by the Secretary of Treasury to be sold or likely to be sold at less than fair value (LTFV).

On November 8, 1972, the Department of the Treasury issued a finding of dumping (T.D. 72-311) and published notice of the dumping finding in the Federal Register (37 FR 23715).

On October 28, 1981, the Commission received a request to review its affirmative determination in investigation No. A1921-99. The request was filed pursuant to section 751(b) of the Tariff Act of 1930 by Barnes, Richardson & Colburn on behalf of Bowe Maschinenfabrik, GmbH, a West German exporter of drycleaning machinery, and American Permac, Inc., a related U.S. importer of such merchandise. On

February 10, 1982, the Commission issued a notice of dismissal of the request to institute a section 751(b) review investigation concerning the affirmative determination in investigation No. AA1921-99, Drycleaning Machinery from West Germany (47 FR 6119).

On May 18, 1984, the Commission received another request to review its affirmative determination in investigation No. AA1921-99. The request was filed pursuant to section 751(b) of the Tariff Act of 1930 by Barnes, Richardson & Colburn on behalf of Bowe Maschinenfabrik, GmbH, a West German exporter of drycleaning machinery, and American Permac, Inc. and Bowe Systems & Machinery, Inc., both of which are related U.S. importers and sellers of such merchandise. On June 6, 1984, the Commission requested written comments in the *Federal Register* (49 FR 23462) as to whether the changed circumstances alleged by the petitioner were sufficient to warrant a review investigation.

On August 9, 1984 the Commission determined that the alleged changed circumstances were sufficient to warrant a review investigation. No comments opposing institution of the investigation were received.

The investigation will be conducted in accordance with § 207.45(b) of the Commission's Rules of Practice and Procedure (19 CFR 207.45(b)). The purpose of the investigation is to determine whether an industry in the United States would be materially injured, or would be threatened with material injury, or the establishment of an industry in the United States would be materially retarded, by reason of imports of drycleaning machinery from West Germany if the antidumping order regarding such merchandise were to be revoked.

Dates

Pursuant to § 207.45(b) of the Commission's Rules of Practice and Procedure, the 120-day period for completion of this investigation begins on the date of publication of this notice in the *Federal Register*.

Written Submissions

Any person may submit to the Commission written statements of information pertinent to the subject matter of the investigation on or before October 24, 1984. A signed original and fourteen true copies of such statements must be submitted in accordance with § 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8).

Any business information which a submitter desires the Commission to

treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential business data." Confidential submissions must conform with the requirements of § 201.6 of the Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except confidential business data, will be available for public inspection. A staff report containing preliminary findings of fact will be available to all interested parties on October 17, 1984.

Public Hearing

The Commission will hold a public hearing in connection with this investigation on October 31, 1984, in the Hearing Room of the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, beginning at 10:00 a.m., e.s.t. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m., e.d.t.), October 12, 1984. All persons desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m., e.d.t., on October 17, 1984, in Room 117 of the U.S. International Trade Commission Building, and may file prehearing briefs on or before October 24, 1984. For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A, C, and E (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

FOR FURTHER INFORMATION CONTACT:
Vera Libeau, Supervisory Investigator,
Office of Investigations, U.S.
International Trade Commission, (202-
523-0388) or Jack Simmons, Esq., Office
of the General Counsel, U.S.
International Trade Commission, (202-
523-0493).

Issued: August 10, 1984.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-21705 Filed 8-14-84; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

**LIST OF WITNESSES APPEARING AT THE
COMMISSION'S PUBLIC HEARING**

CALENDAR OF PUBLIC HEARING

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

Subject : Drycleaning Machinery from West
Germany

Inv. No. : 751-TA-9

Date and time: October 31, 1984 - 10:00 a.m.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

Parties in support of the application for review of the
determination of injury:

Barnes, Richardson & Colburn--Counsel
Washington, D.C.
on behalf of

Bowe Maschinenfabrik GmbH, Augsburg, W. Germany
Bowe Systems and Machinery, Inc., Hicksville, N.Y.
American Permac, Inc., Hicksville, N.Y.

Peter Boden, Chairman, Bowe Maschinenfabrik GmbH

William Hayday, President, Bowe Group Companies in the
United States

Edward E. Martin, Consulting Economist

Rufus E. Jarman, Jr.)
Matthew J. Clark)

Additional participant opposing a review of the
determination of injury:

Vic Manufacturing Company
Minneapolis, Minnesota

Irving Victor, Executive Vice President

APPENDIX C
SUPPLEMENTAL TABLES

Table C-1.--Selected demographic statistics on age, personal income, and employment, specified years, 1960-82

Year	: Persons between : : age of 18 and : : 64	: Personal income : : per capita 1/ :	: Families where : : husband and wife : : are both employed
	: <u>Million</u> : : <u>persons</u> :		: <u>Percent</u>
1960-----	98.6 :	2/ :	29.6
1970-----	113.6 :	4,265 :	38.3
1975-----	125.6 :	2/ :	35.5
1980-----	137.2 :	5,303 :	43.3
1982-----	141.9 :	5,392 :	44.4

1/ 1972 dollars.

2/ Not available.

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

Table C-2.--End-of-period inventories held by Bowe in West Germany, of dry-cleaning machinery manufactured by Bowe, 1980-83, January-June 1983, and January-June 1984

* * * * *

Table C-3.--Shipments by Bowe of drycleaning machinery to the home market (West Germany), the United States, and to all other destinations, 1981-83, January-June 1983, and January-June 1984

* * * * *

Table C-4.--Drycleaning machinery: End-of-period inventories of A.P.I., by capacity sizes, 1980-83, January-June 1983, and January-June 1984

* * * * *

APPENDIX D

LETTER FROM VIC MANUFACTURING CO.



VIC MANUFACTURING COMPANY

1820 CENTRAL AVENUE N.E., MINNEAPOLIS, MINNESOTA 55413-1593/PHONE (612) 781-6801 TLX 821260

November 16, 1984

United States International Trade Commission
701 E Street NW
Washington, DC 20436

ATTENTION: Secretary of the Commission

SUBJECT: Public Information
Investigation No. 751-TA-9



Gentlemen:

On October 31, 1984, our Mr. Irving Victor attended a hearing in the Hearing room of the USITC in Washington, DC, involving Investigation Number 751-TA-9 concerning drycleaning machinery from the Federal Republic of Germany.

At that time, additional questions were raised concerning competitive posture of equipment importing from the Federal Republic of Germany. The questions were:

1. Has Vic Manufacturing lost any business to the primary German manufacturer doing business as American Permac in the last year?
2. Would lifting of the sanction levied against American Permac significantly affect the future business volume of Vic Manufacturing?

To answer 1 above, we conducted a telephone survey among Vic distributors to determine the extent to which American Permac serves as a viable and active competitor. The results of the survey indicated that we have a significant loss of machine sales due to price competition from local Permac distributors.* It therefore follows that the answer to 2 above must be resoundingly affirmative.

*Specific details of the survey are available to commission members on a confidential information basis.



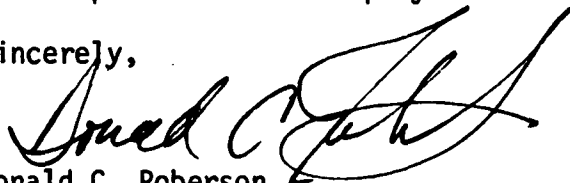
VIC MANUFACTURING CO.

United States International Trade Commission
Washington, DC

November 16, 1984
Page 2

As one of a very few remaining American manufacturers of dry cleaning equipment, Vic Manufacturing Company would strongly urge the Commission to continue the existing sanctions in protection of American participation in our company and our industry.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald C. Roberson", written over a horizontal line.

Donald C. Roberson
Vice President, Marketing

DCR:lm

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

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