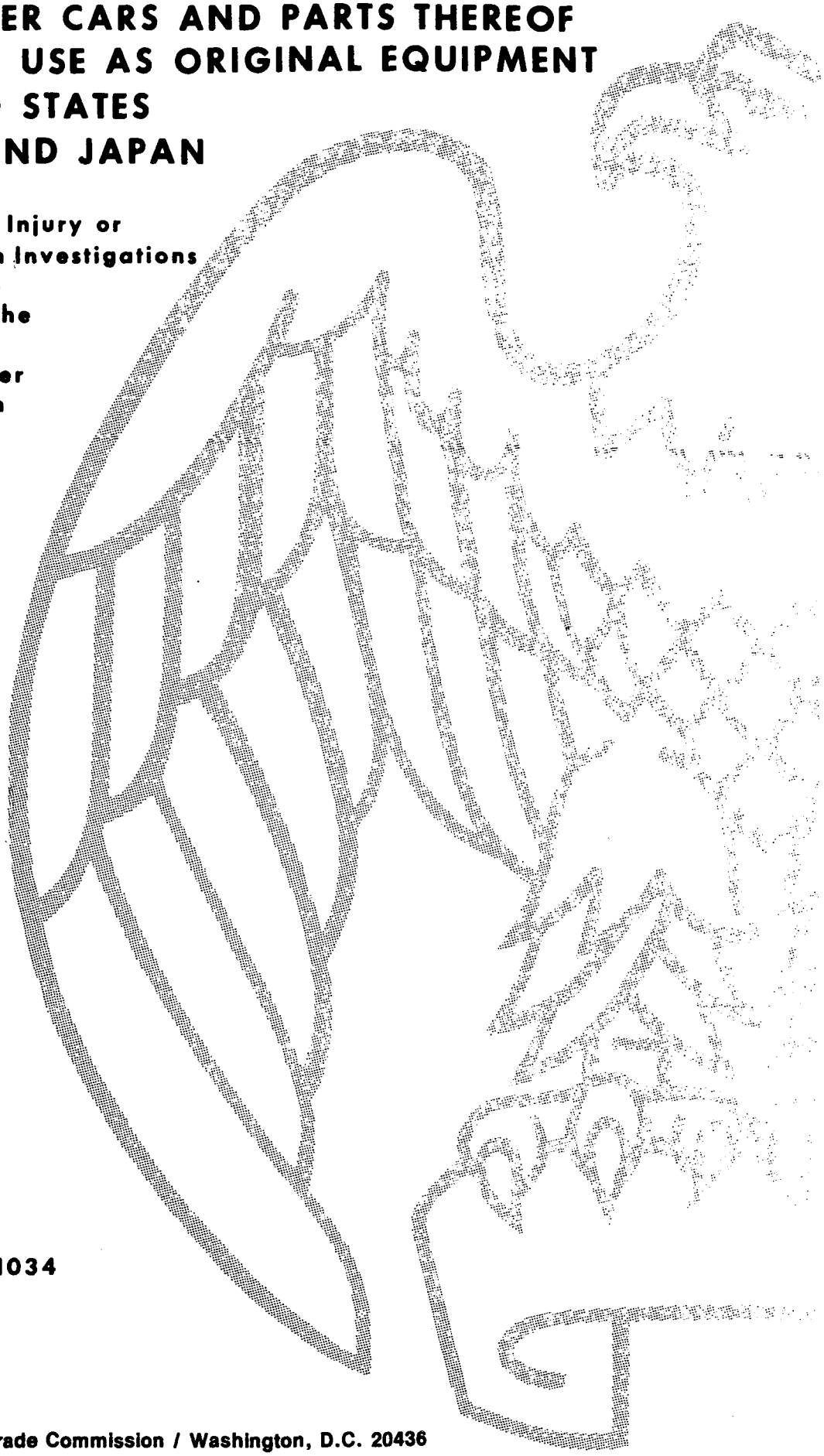
RAIL PASSENGER CARS AND PARTS THEREOF INTENDED FOR USE AS ORIGINAL EQUIPMENT IN THE UNITED STATES FROM ITALY AND JAPAN

Determination of No Injury or Likelihood Thereof in Investigations Nos. 731-TA-5 and 6 (Preliminary) Under the Tariff Act of 1930, as Amended, Together With the Information Obtained in the Investigations



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

[731-TA-5 and 6 (Preliminary)]

RAIL PASSENGER CARS AND PARTS THEREOF INTENDED FOR USE AS ORIGINAL EQUIPMENT IN THE UNITED STATES FROM ITALY AND JAPAN

Determination of "No Reasonable Indication of Material Injury"

On the basis of information developed during the course of investigations Nos. 731-TA-5 (Preliminary) and 731-TA-6 (Preliminary) (rail passenger cars and parts thereof), the Commission determines that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation from Italy and Japan of rail passenger cars and parts thereof, however provided for in the Tariff Schedules of the United States (TSUS), intended for use as original equipment in the United States, which are allegedly sold at less than fair value. 1/

Section 102(b)(1) of the Trade Agreements Act of 1979 requires the Commission to conduct preliminary antidumping investigations in cases where, on January 1, 1980, the Administering Authority has begun an investigation, but not yet made a preliminary determination under the Antidumping Act, 1921, as to the question of less-than-fair-value sales. On January 7, 1980, the Commission received advice from the Department of Commerce (the Administering Authority effective January 1, 1980) that such an investigation had been instituted prior to January 1, 1980, with respect to imported rail passenger cars and parts thereof. Accordingly, effective January 1, 1980, the Commission instituted preliminary antidumping investigations under section 733(a) of the Tariff Act of 1930.

1/ Vice Chairman Alberger and Commissioner Stern voted separately with respect to the imports from each country.

Notice of the institution of the Commission's investigations and of the conference held in connection therewith was published in the Federal Register of January 14, 1980 (45 F.R. 2715). On January 29, 1980, a public conference was held in Washington, D.C., and all persons requesting the opportunity were permitted to appear in person or by counsel. In arriving at its determination, the Commission gave due consideration to information provided by the Administering Authority, to all written submissions from interested parties, and information adduced at the conference and obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

FINDINGS OF FACT AND CONCLUSIONS OF LAW OF THE COMMISSION
IN SUPPORT OF THE NEGATIVE DETERMINATIONS IN INVESTIGATIONS 731-TA-5 and 6

In order for the Commission to find in the affirmative in a preliminary antidumping injury determination under Section 733 of the Tariff Act of 1930 (19 U.S.C. 1673(b)), it is necessary to find that sufficient information has been presented to show that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise which is the subject of the investigation allegedly sold or likely to be sold at less than fair value.

The following conclusion and findings, drawn from the record in this investigation, serve to support our determination.

Conclusion of Law

On the basis of the best information in the Commission's record in this investigation, we determine that there is no reasonable indication that an industry in the United States is materially injured, threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of importation of the merchandise which is the subject of this investigation.

Findings of Fact

A. Volume of Imports

1. Rail passenger cars being furnished by foreign producers for contracts awarded since the enactment of the Surface Transportation Act of 1978 will rarely, if ever, be imported into the U.S. in finished form. The "Buy America" provision of that act requires that final assembly of rail passenger cars be made in the U.S. and that rail cars contain at least 50

percent U.S. components. Although these requirements may not apply under certain conditions (Pub. L. 95-599, section 401 (1978)), it is highly unlikely that an exemption will be obtained in any major rail passenger car contract. (Staff Report, pp. A-11, 12; Recommmended Determination of the Director 1/, finding no. 2; Transcribed Staff Briefing at Commission meeting, Feb. 7, 1980; Conference transcript, pp. 76, 85).

2. Two of the three contracts cited by the petitioner which give rise to the petition will be subject to the "Buy America" provisions described in Finding No. 1. The third contract was not subject to these provisions. However, counsel for the primary contractor, Breda, testified that the cars would be assembled in the United States and would utilize about 45 percent American components. Therefore, no finished rail passenger cars will be imported into the United States on these contracts. (Transcribed Staff Briefing; Staff Report, pp. A-6, A-8; Conference transcript, pp. 91-92).

3. The only items respondents presently intend to import for the three contracts (Greater Cleveland Regional Transit Authority, Southeastern Pennsylvania Transportation Administration and Washington Metropolitan Area Transit Authority) which are also alleged by petitioner to be at less than fair value are car body shells, parts for truck assemblies, and axles. (Staff Report, p. A-8; Conference transcript, pp. 77, 100).

4. Although representatives of the respondents have stated that it is their intention to import some of the component parts listed in Finding No. 3, there is no requirement that the origin of the components to be used in the assembly of cars be specified prior to the award of the contract. It is even

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1/ See note 1, page 7.

conceivable that because of the long lead times on delivery of finished rail cars (2 to 3 years from signing of contracts for initial deliveries) actual sourcing for nearly all of these parts could be domestic. (Staff Report, A-8; A-28).

5. The Commission sought but neither the petitioner nor any domestic manufacturer of car body shells and parts for truck assemblies came forward with any specific information or even allegations concerning the quantity or value of imported components. The only specific information available to the Commission at this time is that there have been no imports of these components by either respondent. (Staff Report, p. A-8; Transcribed Staff Briefing, Conference transcript at 77, 100).

6. Participation of foreign firms in the U.S. rail passenger car market was, until 1977, primarily limited to Canadian and French car builders. The only participation in the U.S. market by Italy (Breda) occurred in 1977 and 1979 when it won two contracts covering a total of 142 light rail vehicles and rapid transit cars valued at approximately $107.4 million. The only participation by Japan (Nissho-IWAI) is the recent contract award for 141 light rail vehicles valued at $57.5 million. Assembly of vehicles for the Philadelphia and Cleveland contracts will be performed in the U.S by Boeing Vertol and General Electric. (Staff Report, p. A-28).

B. Effect of Imports on Prices of U.S. Produced Rail Passenger Cars and Parts Thereof

7. There is no data available on the prices at which rail passenger cars or any components thereof have been or will be when imported from Italy or Japan. As stated in earlier findings, the reason for this is that there have not been and will not be any imports of completed rail cars from these

countries, and the future delivery of parts for such cars is still speculative as to sources and prices. (See Findings 2-5). Awarded bid prices are based on basic car assemblies without options. A contract price for a delivered car will be higher than a bid price. (Staff Report, p. A-8).

C. Impact of Imports of Rail Passenger Cars and Parts Thereof on Domestic Producers of Like Products

8. Budd's domestic competitors have withdrawn from active bidding on contracts as primary contractors, but their decisions to withdraw predate the arrival of significant competition from foreign railcar assemblers. (Department of Justice Statement, p. 12; Barber Report, pp. 72-73; 1979 GAO Study, pp. 5-7).

9. Neither the petitioner nor any other manufacturer of rail passenger car components presented the Commission with any specific information with which to assess impact on this portion of the industry. (See Finding 5). However, a representative of the Budd Co. testified that domestic components manufacturers would get business from other primary contractors. (Conference transcript at p. 43).

10. Budd's complaint against alleged less-than-fair-value imports from Italy concerns the Cleveland and Washington contracts. If the Italian contractor had not won the Washington bid, it is doubtful Budd could have. (Staff Report, A-32). If the Italian contractor had not won the Cleveland bid, it is conceiveable that Budd and a Canadian joint-venture partner could have won (Staff Report, A-31-32).

11. Budd's complaint against the alleged less-than-fair-value imports from Japan concern a Philadelphia contract. If the Japanese contractor, Nissho-IWAI, had not won the bid, it is doubtful that Budd could

have won the contract. (Staff Report, at A-32). Although a Budd company representative alleged less-than-fair-value pricing by NIAC in a Philadelphia Broad Street Subway procurement bid at the Commission's conference (transcript, at 14-15), the next lowest bidder was Canadian (Post-Conference Statement of NIAC and Kawasaki, at p. 14).

12. As of December 31, 1979, petitioner had undelivered orders amounting to 563 cars. This substantial backlog should increase the petitioner's rail passenger car employment, capacity utilization, and revenues. (Staff Report, p. A-20, A-25-26; Recommended Determination of the Director, Finding No. 4). The Japanese home market is expanding and there is testimony on the record that there is no overcapacity (Staff Report at A-17; Conference transcript, at p. 69). There is an unrebutted submission to the effect that Breda has no significant productive capacity available for the U.S. market (Breda Submission, at p. 17). Thus, there is no imminent threat of material injury and any extrapolation of bid experiences to a threat of material injury as the Budd Co. backlog is being reduced would be completely speculative.

1/ Vice Chairman Alberger included, for informational purposes, the Recommended Determination and Supporting Statement of the Director of Operations in these investigations. The Recommended Determination and Supporting Statement follow:

RECOMMENDED DETERMINATION

On the basis of information developed during the course of investigation Nos. 731-TA-5 and 6, undertaken by the Commission under section 733(a) of the Tariff Act of 1930, I determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports from Italy and Japan of parts of rail passenger cars intended for use as original equipment in the United States. The imported parts are car body shells for rail passenger cars, truck assemblies for rail passenger cars, and parts for such assemblies, other than wheels and axles, provided for under item Nos. 690.35 and 690.40 of the Tariff Schedules of the United States.

Footnote 1--Continued

SUPPORTING STATEMENT BY THE DIRECTOR OF OPERATIONS FOR AN AFFIRMATIVE DETERMINATION ON RAIL PASSENGER CARS AND PARTS THEREOF FROM ITALY AND JAPAN (NOS. 731-TA-5 and 6 (PRELIMINARY))

The U.S. market for rail passenger cars is supplied by producers of components (parts) and final assemblers. The petitioner in this case, Budd Company, produces components--car body shells and truck assemblies and also assembles components into finished rail passenger cars.

Finished rail passenger cars are rarely imported into the United States. The "Buy America" provision of the Surfact Transportation Act of 1978 requires final assembly of rail passenger cars in the United States. Foreign companies awarded contracts to produce rail passenger cars will provide imported components to U.S. assemblers for incorporation into finished cars.

The alleged less than fair value sales involve bids by Japanese and Italian firms on three contracts. In all three contracts the final assembly of rail passenger cars will be undertaken by U.S. assemblers. Major imported components will consist of car body shells, truck assemblies and parts for truck assemblies.

The petitioner has sucessfully bid on three contracts since the loss of the Cleveland, Washington and Philadelphia contracts. Undelivered orders amounted to 563 cars as of December 31, 1979. As work begins on these contracts employment, capacity utilization and revenues should increase. Therefore, there is no reasonable indication of material injury to an industry in the United States.

The contracts in questions call for deliveries of rail passenger cars over the next two to three years. The importation of components to be used in the finished cars presents a reasonable indication of threat of material injury to the petitioner both as a component producer and as an assembler.

The Antidumping Act, 1921, did not contain any qualification as to the kind of industry or the number of industries that might be affected by allegedly dumped imports. Title VII of the Tariff Act of 1930, however, provides that a petitioner must be a manufacturer, producer, or wholesaler in the United States of "like product" which, in turn, is described as "a product like, or in the absence of like, most similar in characteristics and uses with, the article subject to investigation." Similarly, Title VII defines an industry as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major portion of the total domestic production of that product." In a case in which an antidumping petition was filed with the Commission and the Department of Commerce under section 732 of Title VII, the agencies would screen the petition for an appropriate product description to control the scope of the investigation noticed by the Commerce Department in an affirmative determination under this section. The instant petition was filed under the old law and became subject to the transition provisions of

section 102 of the Trade Agreements Act of 1979 which had the effect of establishing the scope of the investigation as that alleged in the petition. Information made a part of the Commission's record in this preliminary investigation indicates that the petitioner does not manufacture rail passenger cars but assembles them from components. The petitioner does manufacture certain components of rail passenger cars however. Among these are car body shells and truck assemblies (staff report, at A-19. Evans testimony, conference transcript at p.13). Car body shells and parts for the truck assembly are imported from both Japan (Gibson testimony, conference transcript at p.77) and Italy (Bosco testimony, conference transcript at p.85). Accordingly the scope of this recommended determination extends only to car body shells, truck assemblies and parts for truck assemblies other than wheels and axles, intended for use as original equipment in the United States, provided for under item nos. 690.35 and 690.40 of the Tariff Schedules of the United States. Wheels and axles, although imported, are not produced by the petitioner (MaGinn testimony, conference transcript at p.35).

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On October 16, 1979, Budd Company, Philadelphia, Pa., filed a petition for the imposition of antidumping duties on rail passenger cars from Japan and Italy with the U.S. Department of the Treasury. 1/ A notice appeared in the Federal Register of November 27, 1979 to initiate Treasury's antidumping investigation into rail passenger cars and parts thereof, intended for use as original equipment in the United States From Japan and Italy. 2/

On January 1, 1980, the transition provision in section 102 of the Trade Agreements Act of 1979 became effective. This provision, together with the Reorganization Plan No. 3 of 1979 resulted in this petition becoming subject to the provisions of title VII of the Tariff Act of 1930 and provided that it be treated as if an affirmative determination had been made by the Secretary of Commerce under section 732 of that act. 3/ Accordingly, the Commission instituted preliminary investigations under section 733 of the Tariff Act to determine whether with respect to rail passenger cars and parts thereof, there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of imports from Italy and Japan allegedly sold or likely to be sold at less than fair value.

The U.S. International Trade Commission held a conference in connection with the investigations of rail passenger cars and parts from Italy and Japan on January 29, 1980. Notice of the institution of the inquiry and the public conference was given by posting copies of the notice at the Office of the Secretary to the Commission in Washington, D.C., and at the Commission's office in New York City, and by publishing the original notice in the Federal Register on January 14, 1980 (45 F.R. 2715). 4/

1/ The petition filed by counsel for the Budd Co. (Railway Division), alleges that rail passenger cars and parts thereof which are intended for use as original equipment in the United States from Japan and Italy are being, or are likely to be, sold at less than fair value.

2/ A copy of Treasury Department's notice of antidumping proceeding is presented in app. A.

3/ A copy of Treasury Department's letter of notification to the Commission is found in app. B.

4/ A copy of the Commission's notice of inquiry and conference is presented in app. C.

Description and Uses

Rail passenger cars are self-propelled or non-self-propelled vehicles used for urban, suburban, or intercity transport of passengers. These rail vehicles may be broadly divided into the following categories: rapid transit cars, light rail vehicles, suburban cars, and intercity cars. Although such vehicles vary somewhat in passenger seating capacity, interior and exterior finishings, and speed at which they are normally operated, all are of similar design and may be assembled from parts and equipment which are essentially alike.

A great majority of rail passenger cars are built to design specifications set up by local officials to meet the needs of their unique transit systems. Thus, each procurement of passenger cars differs significantly from the next. The normal useful life of a rail passenger car is 20 years.

Rapid-transit cars are passenger vehicles which are used in subways or elevated rail systems. Generally, these cars are electrically propelled and are operated within a city or between a city and its neighboring suburbs. Rapid transit systems are intended to provide local transport of passengers and are characterized by a great number of stops. Rapid-transit cars are usually joined together to form trains, the number of cars used per train varies somewhat from one system to another (figure 1). Passenger-load requirements and subway station platform sizes are important influencing factors in determining the number of cars to be used in a train. Although rapid-transit cars are normally coupled together, most are capable of self-propulsion. Some rapid-transit cars, which are referred to in the industry as "married units," consist of an "A" and a "B" car, neither of which is capable of self-propulsion, but when coupled together into units, they are self-propelled. The industry considers these "A" and "B" cars to be self-propelled since the cars would normally be sold together in "married units." Rapid-transit cars, as well as light rail vehicles, may be single-end (capable of propulsion in one direction only) or double-end (capable of propulsion in two directions).

Light rail vehicles are passenger cars used as streetcars or trolleys (figure 2). Such vehicles are guided along tracks at ground level, but are propelled electrically by wires running overhead or beneath a slot between the tracks. The use of light rail vehicles in the United States was nearly eliminated during the 1960's. However, since the early 1970's there has been renewed interest in the development of street car systems in the United States. As the price and availability of gasoline become increasingly questionable, the development of such systems for intracity passenger transport in the United States can be expected to rise.

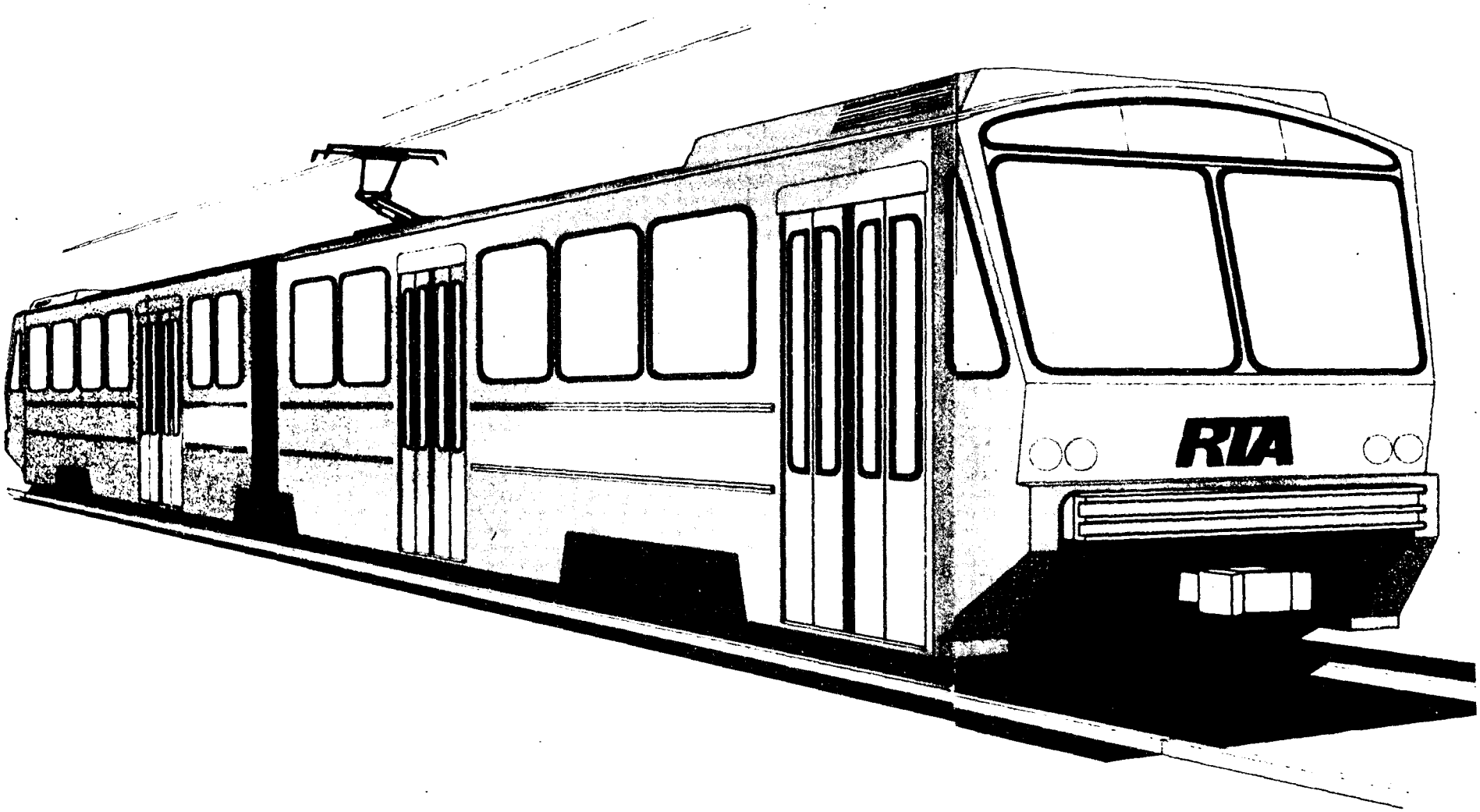
Suburban and intercity cars may be designed to be either self-propelled or hauled by a locomotive (figure 3). Generally, suburban cars are used within a 50-mile radius of a city, while intercity cars transport passengers between major cities. Commuter systems utilizing suburban cars are operated in five locations: San Francisco, New York City, Chicago, Boston, and Philadelphia. Suburban and intercity cars may be propelled electrically or by diesel-electric engines. 1/

1/ Internal combustion engine with electric transmission.

Figure 1.--Rapid transit car.

Source: Railway Age, October 9, 1978, p.31.

Figure 2.--Light rail vehicle.



Source: Railway Age, July 10, 1978, p. 40.

Figure 3.--Suburban or intercity car.

Source: Railway Age, December 10, 1979, p. 36.

Major components (parts) of rail passenger cars include car shells, brakes, sideframes, bolsters, couplers, air-conditioning units, seats, propulsion systems, wheels, and axles. Sideframes, bolsters, wheels, and axles are the major parts of the truck assembly, which supports the rail car. Couplers are used to connect rail cars. Wheels and axles vary in grade (quality of component metals) and size according to the requirements of the system they will be used on.

U.S. Tariff Treatment

Railway passenger cars and parts of such vehicles are classified under various provisions of the Tariff Schedules of the United States (TSUS). Table 1 lists the TSUS provisions covering the preponderance of imports of rail passenger cars and parts of such vehicles and the column 1 (MFN) duty rates applicable thereto from January 1 of 1979-87. The duty reductions listed in the table for 1980-87 were agreed to as part of the recently concluded round of Multilateral Trade Negotiations. As indicated in the table, four of the tariff provisions covering rail passenger cars and parts are eligible for duty free entry under the Generalized System of Preferences (GSP) or are eligible for reduced rates of duty if imported from Least Developed Developing Countries (LDDC's).

Nature and Extent of Alleged Less Than Fair Value Sales (LTFV)

The Budd Co. petition alleges three specific cases of sales of rail passenger cars at less than fair value (LTFV) in the United States. The earliest sale which the petition cites as being at LTFV was made in 1977 to the Greater Cleveland Regional Transit Authority by Breda Costruzioni Ferroviarie SPA (Italy). The Cleveland contract called for 48 articulated (6-axle) light rail vehicles. Of the 19 bids offered for the Cleveland contract, Breda was the second lowest. The lowest bid on the Cleveland contract, submitted by United Transportation Development Corp. (UTDC), a Canadian firm, was eliminated because it did not meet the required design specifications. Deliveries of the Cleveland light rail vehicles are expected to begin in the summer of 1980. The second alleged sale at LTFV was made in 1979 to the Southeastern Pennsylvania Transportation Authority (SEPTA) by Nissho-IWAI (Japan). The SEPTA contract called for 141 light rail vehicles. Nissho-IWAI, a Japanese trading company, is the primary contractor on this contract. Kawasaki Heavy Industries Ltd. will produce major components for the cars under the contract, Boeing-Vertol will perform final assembly operations in the United States. Initial deliveries of the cars to SEPTA are scheduled for May 1981. Of six bids for the SEPTA contract, Nissho-IWAI was the lowest. The most recent alleged LTFV sale was made to the Washington Metropolitan Area Transit Authority (WMATA) by Breda in July 1979. The contract awarded to Breda, the lowest of three bidders, called for 94 75-foot rapid-transit cars. First deliveries of the rapid transit cars to WMATA are scheduled for June 1981.

According to the petition filed with Treasury, the alleged dumping margins on rail passenger cars ranged from 8.34 percent on cars provided by

Table 1.--Staging of tariff concessions resulting from the Tokyo round of multilateral trade Negotiations and GSP and LDDC status of rail passenger cars and parts, Jan. 1 of 1979-87

(In percent ad valorem, except as noted)

GSP	TSUS item	Description	Jan. 1--									LDDC 2/
			1979	1980	1981	1982	1983	1984	1985	1986	1987	
A	690.10	Self-propelled rail vehicles designed to carry passengers or articles.	11.5	10.9	10.2	9.6	8.9	8.3	7.6	7.0	6.3	6.3
A*	690.15	Passenger, baggage, mail, freight and other cars, not self-propelled. 1/	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	
	690.25	Axles and parts thereof, and axle bars, all of the foregoing of iron or steel. 1/	0.1 cents per lb.	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
	690.30	Wheels and parts thereof, and any such wheels or parts imported with iron or steel axles fitted in them.	Free	Free	Free	Free	Free	Free	Free	Free	Free	
		Other:										
A	690.35	Parts of cars provided for in item 690.15, except brake regulators	9.0	8.6	8.1	7.7	7.3	6.8	6.4	5.9	5.5	5.5
A	690.40	Other parts	5.5	5.3	5.1	4.9	4.7	4.5	4.3	4.1	3.9	3.9

1/ To date, no tariff concession has been made on these articles.
2/ The LDDC rate was effective as of Jan. 1, 1980.

Source: Federal Register, Pres. Proc. 4707, Dec. 13, 1979, and Tariff Schedules of the United States (1980).

Note.--The symbol "A" indicates the item is eligible for GSP duty-free treatment when imported from an eligible beneficiary developing country. The "A*" indicates that imports from Mexico are not eligible for duty-free treatment on item 690.15.

Breda to 46.67 percent on those provided by Nissho-IWAI. The petition claims that imports of rail passenger cars at "less than fair value have had a substantial adverse effect upon the well-being and economic health of the industry." It also contends that future imports of these articles "constitutes a threat of further serious injury that could result in the cessation of all domestic production." The petitioner alleges that the aggressive marketing techniques of foreign competitors has led to price suppression in the domestic market for rail passenger cars.

The petitioner calculated export sales prices for the alleged LTFV sales from Japan and Italy by subtracting the United States value (U.S. components added, U.S. assembly costs, freight, U.S. duty on imported parts, and other miscellaneous expenses incurred in the U.S.) from the awarded bid price. The petitioner then developed a constructed value of the foreign components to be used in the alleged LTFV sales. It should be noted that the awarded bid price is based on a basic car without options. The actual contract price for each car would be higher than the bid price.

Although the petitioner alleges LTFV sales of rail passenger cars, the items to be imported by both Breda and Nissho-IWAI are components or parts. These components, principally car body shells, truck assemblies, and axles, along with additional components purchased from U.S. suppliers, will be assembled into finished cars by companies located in the United States. There is no requirement that the origin of each component to be used in the assembly of the cars be specified prior to the award of a contract, and it is possible because of the long lead times on delivery of finished rail cars (2 to 3 years from signing of contracts until initial deliveries) that the actual sourcing for parts could change over the life of the contract.

The Budd Co. is the only remaining firm in the United States that bids as a primary contractor on railway passenger cars. Since Budd also produces essentially the same components that will allegedly be imported at LTFV for incorporation into the cars to be built for Nissho-IWAI and Breda, it will be impacted in both its car assembly and parts operations by the imported articles.

The U.S. Market

Structure of the market

The total U.S. market for rail cars is composed of a freight-car and a passenger-car market. 1/ The U.S. freight-car fleet is approximately 100 times the size of the domestic passenger-car fleet. The source of funds for freight car purchases is largely private, while passenger car purchases are nearly all Government-funded. Generally, freight cars are priced at under

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1/ Railroads also utilize a small number of specialized vehicles for track maintenance. These vehicles are not included in the market for rail cars, nor are locomotives.

$50,000 a car, while passenger car prices range from $400,000 to $1,000,000 a car. Although there are several types of freight cars (i.e., hopper cars, tank cars, box cars, etc.), their design is far more standardized than that of passenger cars. Approximately 25 firms produced freight cars in the U.S. in 1979, only one of which, Pullman-Standard, also produced rail passenger cars.

The domestic market for rail passenger cars can be divided into two segments, the National Rail Passenger Corp. (Amtrak) and local or regional transit authorities. Amtrak is the major purchaser of intercity cars, while transit authorities are the major purchasers of rapid-transit cars, light rail vehicles, and suburban cars. Although a few railroads own a small number of rail passenger cars, they are an insignificant part of the total U.S. fleet.

The size of the U.S. rail passenger-car fleet has decreased significantly over the years, primarily because of the increasing use of air travel. The composition of the U.S. rail passenger car fleet in 1975 is shown below. The New York City subway system accounted for appromixately 7,000 of the 10,000 rapid transit cars shown in the following tabulation: 1/

Light rail	1,080
Rapid-transit	10,058
Commuter and intercity	6,471
Total passenger	17,609

The potential market for rail passenger cars in 1980-90, by purchasers, and by types of cars, is as shown in the following table. It should be noted that the primary market in this period is for rapid transit cars.

1/ Richard J. Barber Associates, Inc., The United States and International Market for Rail Equipment, March 1978, p. 6.

Table 2.--Potential market for rail passenger cars, by purchasers, 1980-90

Purchaser	Number of cars	Type
Amtrak	420- 550	Intercity.
Atlanta (MARTA)	100	Rapid transit.
Baltimore Metro	30	Rapid transit.
Bay Area Rapid Transit	150	Rapid transit.
Chicago RTA	200- 500	Commuter.
Chicago Transit Authority	500	Rapid transit.
Cleveland (GCRTA)	60	Rapid transit.
Denver	192	Light rail.
Honolulu Transit	200	Rapid transit.
New Jersey DOT	102- 114	Commuter.
	20	Light rail.
New York City Transit Authority	610	Rapid transit.
New York MTA lines	719	Commuter.
NFTA (Buffalo)	30- 40	Light rail.
PAT (Pittsburgh)	55	Light rail.
San Francisco Muni	20	Light rail.
San Juan Transit	100	Rapid transit.
SCRTD (Los Angeles)	120	Rapid transit.
SEMTA (Detroit)	60	Commuter.
	70- 100	Light rail.
SEPTA	120	Light rail.
	155	Rapid transit.
	100	Commuter.
Washington Metro	50	Rapid transit.
Total	4,183-4,665	

Source: Railway Age, Jan. 14, 1980, p. 17.

The Procurement Process

The procurement of rail passenger cars by local or regional transit authorities generally begins with requests for funding submitted to the Urban Mass Transportation Authority (UMTA) of the Department of Transportation, and to State and local governments. UMTA was authorized by the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et. seq.) to allocate grants for capital programs. UMTA funding is normally approved for about 80 percent of the predicted cost of the procurement, while State and local governments split the remaining 20 percent.

Preliminary specifications are issued by the transit authority to car builders to be reviewed for terms as well as technical requirements. The car builders may then offer comments for changes and/or clarifications of the specifications. After incorporating any changes that may be necessary, the final specifications are issued.

The next step in the procurement process is the advertisement for bids on a contract to produce rail passenger cars. The request for bids specifies the

quantity of cars to be produced as well as design specifications such as seating, type of propulsion system, and other unique requirements of the rail system. Usually the time allowed from advertisement of the contract to submission of bids is relatively short. Inadequate time to prepare bids has been cited as being a major problem for potential bidders, especially when dates for submission of bids on several different procurements may be as little as a few days apart.

After the bids have been submitted, the lowest bidder is identified. Prior to final award of the contract an evaluation (usually 60-90 days) ensues in order to ascertain whether the lowest bidder is responsive (technologically) and responsible (financially). 1/ During the evaluation process, the bidder may be required to provide the purchasing authority with a list of firms which will supply certain parts for the cars under the contract. The bidder must be able to provide replacement parts for the cars built for a reasonable period (usually 15 years) after completion of the contract. In the event that the lowest bidder is found to be unqualified to build the proposed cars, the second lowest bidder would be evaluated. Prior to enactment of the Surface Transportation Assistance Act in 1978 (Public Law 95-599), the purchasing authority was given the responsibility of awarding the contract without concurrence from UMTA.

Enactment of the Surface Transportation Assistance Act in 1978 amended the Urban Mass Transportation Act of 1964 to include a "Buy America" provision (title IV, section 401), which substantially changes the transit authority procurement process for rail passenger cars. The Buy America provision states that:

> "Notwithstanding any other provision of law, the Secretary of Transportation shall not obligate any funds authorized to be appropriated by this Act or by any Act amended by the Act and administered by the Department of Transportation, whose total cost exceeds $500,000 unless only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have manufactured in the United States substantially all from articles, materials and supplies mined, produced or manufactured, as the case may be, in the United States, will be used in such project."

The Buy America Act requires that all bidders for UMTA-funded contracts submit a certificate of compliance which states that the rail cars will contain at least 50 percent U.S. components and that final assembly will be in the United States. As a result of the enactment of the Buy America provision, the purchasing authority

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1/ Federal, city and State laws require the lowest responsive responsible bidder to receive the contract.

selects the lowest responsive and responsible bidder, but the contract award is not final until approved by UMTA. Compliance with the Buy America Act is mandatory for UMTA-funded projects, with the following exceptions. 1/

Waiver	Consideration
1. Its application would be inconsistent with the public interest.	All appropriate factors including, but not limited to, the cost, red tape, and delay time that would be imposed if the provision was not waived.
2. In the case of acquisition of rolling stock, its application would result in unreasonable cost after granting appropriate price adjustments to domestic products based on that portion of project cost likely to be returned to the United States and to the States in the form of tax revenues.	Only taxes paid by the bidder of domestic products will be considered.
3. Supplies are not available in the United States in sufficient and reasonably available quantities and of a satisfactory quality.	A domestic end product will be presumed unavailable if no responsive and responsible domestic bid has been received.
4. Inclusion of domestic material will increase the cost of the overall project contract by more than 10 percent.	The lowest responsive and responsible bid offering foreign end products will be multiplied by 1.1. If this number is less than the lowest responsive and responsible bid offering all domestic end products, the waiver will be granted.

1/ The waivers and considerations listed were excerpted from the report by the Comptroller General of the United States entitled "Problems Confronting United States Urban Railcar Manufacturers in the International Market," dated July 9, 1979.

U.S. Producers

In 1975, five U.S. firms were producing rail passenger cars; the Rohr Corp., Chula Vista, Calif.; General Electric, Erie, Pa. 1/; Boeing-Vertol Co.--Division of Boeing Co., Philadelphia, Pa.; Pullman-Standard Co., Chicago, Ill.; and the Budd Co., Philadelphia, Pa. During 1976-79, four of the five firms producing rail passenger cars in the United States announced that they would cease bidding on future contracts as primary contractors, as shown in the table below. At the present time, Boeing-Vertol Co. 2/ and Pullman-Standard are continuing to produce rail passenger cars until their current contracts are fulfilled. Pullman-Standard will continue to produce freight cars, which they reported to be more profitable than passenger cars to produce.

Name of manufacturer	Date of announcement to cease bidding
The Rohr Corp	1976
General Electric	Summer of 1978
Boeing-Vertol Co	November 1978
Pullman-Standard Co	March 1979

Several reasons have been cited as leading to the deterioration of the rail passenger car industry in the United States. Heavy financial losses were incurred on some contracts awarded to car builders in the early 1970's which did not contain price escalation clauses. The erratic nature of the industry, with the number of orders fluctuating widely from one year to another, was also cited as causing problems for car builders. Pullman-Standard has indicated that a major reason for their withdrawal from the market was the nature of the designing process for rail passenger cars. Normally, the purchasing authority has preliminary designs drawn up by their own engineering staff, the designs are then submitted to the car builder for comments and changes. According to a Pullman-Standard official, the negotiations to finalize design can often become unreasonably burdensome, causing delays and confusion.

All of the producers of rail passenger cars in the U.S. function basically as assemblers of parts supplied from various sources. Normally, U.S. rail passenger car producers manufacture the car shell, but nearly all the remaining components are purchased from other firms. Of the five domestic

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1/ Final assembly of rail cars under the Cleveland contract awarded to Breda will be undertaken at General Electric's locomotive plant in Cuyahoga County, Ohio.

2/ Nissho-IWAI's contract with SEPTA calls for assembly of the cars in the United States. Boeing-Vertol Co. has agreed to become the assembler for this contract.

firms producing rail passenger cars in 1975, only General Electric supplied its own propulsion units. 1/ However, General Electric did not produce its own car shells, but subcontracted the production of the shells to other car builders.

Budd Co., the petitioner, was purchased by Thyssen of Dusseldorf, Germany, in April 1978. Thyssen Corporation's major line of business is steel; but it is also involved in mining, electronics, and transportation. Thyssen reportedly has annual sales of about $14 billion to $15 billion. The Budd Co. accounted for approximately 7 percent of Thyssen's total assets in 1979. 2/ The Budd Co. is a large industrial firm producing automobile components, chassis frames, highway truck trailers, tools and dies for the manufacture of automotive components, containers, and container chassis, rail anchors, and rail passenger cars and components. Approximately 6 percent of Budd's 1977 sales were from the Railway Division (rail passenger cars, components of rail passenger cars, rail anchors, and industrial and consumer hand tools). 3/ Budd Co. designs the complete rail passenger car and produces major components such as car shells, truck assemblies, and various secondary components including air ducts, wiring panels, sash assemblies, heater guards, and underframes. The car shell consists of a roof, two sides, two ends, and a floor. Budd's process for manufacturing car shells and truck assemblies has been licensed to various producers around the world. In addition, the components purchased from outside vendors are inspected, tested, and assembled into rail vehicles at their Red Lion plant. 4/

The Italian Market

The structure of the Italian market for rail passenger cars is divided into two segments. The first segment is the State Railways, which is the agency responsible for operation of the Italian State Railway system. State Railways provides suburban, regional, intercity, national, and international trains. The state system is supplemented by 31 companies which are known as "private" firms, although they are Federally subsidized. 5/

1/ Propulsion units normally account for from 25 to 35 percent of the total value of each rail passenger car.

2/ Hearings before the Subcommittee on Oversight and Review of the Committee on Public Works and Transportation of the U.S. House of Representatives, Oversight of the Urban Mass Transportation Administrations Technology Development and Equipment Procurement Programs, May 17, 1979, pp. 288-289.

3/ Steven L. Gibson, Statement on Behalf of Nissho-Iwai American Corporation and Kawasaki Heavy Industries, Ltd., pp. 21-22.

4/ 1/ Testified to at the conference before U.S. International Trade Commission on rail passenger cars and parts thereof, Jan. 29, 1980 (transcript pp. 8-12).

5/ Economic Intelligence Unit, An Analysis of the International Urban Rail-car Market, March 1978, p. 60.

The second and smaller market segment for rail passenger cars in Italy is the Municipal Transport Authority, which is responsible for urban and limited suburban transport, including subways, buses, trolley buses, and streetcars. Until 1975 this function was also carried out by the State. After a reorganization in 1975, overall responsibility of the urban and suburban transit system was given to individual regions, while normal supervision of the system was delegated to the municipal level. As of 1975, six Italian cities had subway or light rail systems as follows: 1/

Subway--------- Milan, Rome, Naples
Light rail----- Milan, Rome, Naples, Turin, Trieste, Bergamo

The Italian State Railways owned a total of 11,368 cars in 1977, while municipal transport authorities owned about 1,946 light rail vehicles and subway cars. 2/ The Italian State Railways is expected to purchase 4,200 new rail passenger cars and order significant rebuilding of 5,037 obsolete cars before the mid-1980's. Italian rail officials forsee production rates approaching 500 cars per year through 1990. 3/

Italy has been reported as being essentially a closed market for foreign rail passenger car manufacturers. The Italian State Railways representatives have confirmed that normally contracts for equipment procurement are awarded in an effort to protect and assist the domestic rail passenger car industry. Unlike U.S. transit authorities, the Italian purchasing agency usually advertises for submission of bids for a portion of the entire order. The low bidder is identified and granted the award for that portion of the order. The rest of the order is then, in most cases, divided among other bidders willing to produce the rail vehicles at the awarded price. 4/ Italian rail officials stated that, to their knowledge, rail passenger cars had not been purchased from foreign manufacturers in many years. The officials felt that the process of dividing orders made the Italian market less attractive to foreign producers.

Italian Producers

As of 1978, there were 12 firms in Italy producing rail passenger cars. Two of these firms, Breda and Fiat, manufacture nearly all of the components, which they then assemble into completed rail passenger cars. The remainder of the Italian rail passenger car industry more clearly resembles the U.S. industry in that they normally assemble cars from parts obtained from many

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1/ Ibid., p. 72.
2/ Ibid., pp. 63, 72-79.
3/ Op cit., Richard J. Barber Associates, Inc., pp. 16-17.
4/ General Accounting Office, Problems Confronting United States Urban Railcar Manufacturers in the International Market, July 1979, pp. 34-35.

different sources. In 1977 the Italian rail car industry employed approximately 8,800 workers. Available capacity to produce rail passenger cars in Italy was reported at 600 units a year in 1978; however, actual production has generally been between 250 and 350 units a year. 1/

Breda Ferroviarie is the Italian producer which the petitioner alleges is selling rail passenger cars in the United States at LTFV. Breda is 99 percent owned by EFIM (Ente Partecipanioni e Finanziamento Industria Manufatturiera), a State holding company. 2/ Although it is Government-owned, Breda contends that since its initial capitalization by the Government, the company has paid taxes on profits and has not been supplemented by the government for any losses. Breda produces a full line of rail cars, including locomotives, passenger, and freight cars. 3/ The company's production facility, located in Pistoia (near Florence), is reported to be the most modern plant in the world producing rail passenger cars, and is designed to be capital rather than labor intensive. 4/ In 1978, Breda employed approximately 1,000 workers. 5/

The Japanese Market

The Japanese market for rail passenger cars consists of four segments: the national, metropolitan, semipublic, and private railroads. Central and local government funds support all but the private railroads. The national railway, which is the major purchaser of rail passenger cars, requires that potential builders be certified as being qualified to produce rail cars. Currently, no foreign rail car producer is certified to build rail cars for Japan; however, officials of the Japan National Railway claim that their market is open and that any foreign builder may seek and obtain the required certification. The metropolitan railroad, like the national railroad, requires certification as a car builder prior to submission of a bid. The metropolitan railroad also requires that bidders have previous experience in producing rail cars for Japan. The semipublic and private railroads are not regulated by these Government procurement policies; however, Japanese railway officials have stated that the possibility of a foreign manufacturer winning a contract is extremely remote. 6/

In 1977 the Japanese passenger rail car fleet, was as shown in the following tabulation: 7/

Light rail----------	1,200
Rapid-transit----------	2,900
Commuter and intercity---	37,000
Total----------	41,100

1/ Op cit., Economic Intelligence Unit, Attachment 3, pp. 3-7.
2/ Ibid., p. 40.
3/ Op cit., Richard J. Barber Associates, Inc., p. 8.
4/ Ibid., p. 41.
5/ Op cit., Economic Intelligence Unit, p. 15.
6/ Ibid., pp. 36-37.
7/ Lee H. Rogers, Marketing and Growth Evaluation of the International Market in Electric Urban Railway Equipment for Passengers, 1978, p. 18.

Over the past few years, the Japanese rail passenger car industry has been characterized by a scarcity of orders due to the poor financial status of the national railroad. Recently approved legislation which will increase mass transit fares is expected to ease this situation. Planned improvements over the next 5 years include the renewal of 360 high-speed "bullet trains." Future procurements include 300-500 "bullet trains" for use on a new line. 1/ The Japan National Railways is expected to open other intercity lines within the next several years, which will result in additional rail passenger car orders. In 1979, three transit authorities were planning to begin construction on, or completion of, rail systems. 2/

Japanese Producers

From 1971-76, production of rail passenger cars in Japan ranged from a low of 1,521 cars, in 1971, to a high of 2,376 cars, in 1974. 3/ In 1976, when 1,676 rail passenger cars were produced in Japan, plant utilization was estimated as being at about 50 percent of capacity. 4/ The market shares of the eight Japanese rail passenger car producers, as reported in 1978, is shown in the following tabulation: 5/

Manufacturer	Domestic market share 1/ Percent
Nippon Sharyo Seizo KK	20
Kawasaki Heavy Ind., Ltd	18
Tokyu Car Corporation	15
Kinki Sharyo Co., Ltd	15
Hitachi Ltd	15
Alna Koki KK	9
Niigata Engineering Co., Ltd	3
Fuji Heavy Ind., Ltd	3

1/ Because of rounding, total does not add to 100 percent.

All Japanese manufacturers maintain close working relationships with major trading companies. Generally, if a large order with short lead time is placed with a trading company for delivery of rail passenger cars, the order may be divided among several car producers. Nearly all parts for assembly into Japanese rail passenger cars are sourced domestically. Cars which are

1/ Op cit., Richard J. Barber Associates, Inc., p. 16.
2/ Op cit., General Accounting Office, p. 24.
3/ Op cit., Richard J. Barber Associates, Inc., p. 8.
4/ Op cit., General Accounting Office, p. 22.
5/ Op cit., Economic Intelligence Unit, p. 15.

built for export are the exception and may contain foreign components as specified by the purchaser. 1/

Kawasaki Heavy Industries, Ltd., the Japanese producer of the alleged LTFV goods, employed about 26,000 workers in all divisions of the company as of March 1979. The breakdown of sales in percent by Kawasaki in March 1979 was as follows: shipbuilding (23), rolling stock (8), aircraft (9), plant engineering (19), machinery (23), engine and motorcycle (18). 2/ The rolling stock division of Kawasaki produces locomotives, rail passenger cars, and freight cars.

Consideration of Injury or Likelihood Thereof

U.S. production

U.S. production of rail passenger cars, by firms responding to Commission questionnaires is shown for 1975-79 in the following tabulation: 3/

Firm	1975	1976	1977	1978	1979
Budd Co	***	***	***	***	***
General Electric	***	***	***	***	***
Pullman-Standard	***	***	***	***	***
Rohr Corp	***	***	***	***	***
Total	566	854	713	247	130

Production of rail passenger cars by the four responding firms, by units, increased from 566 cars in 1975 to 854 cars in 1976, but then fell steadily to 130 cars in 1979 as contracts awarded in prior years were completed.

1/ Op cit., Economic Intelligence Unit, p. 15.

2/ Toyo Keizar Shinposha (The Oriental Economist), Japan Company Handbook, July-Dec. 1979, p. 634.

3/ The four firms included accounted for 83 percent of the rail passenger car deliveries during 1975-79.

The value of production during 1975-79 of rail passenger cars of firms responding to Commission questionnaires is shown in the following tabulation (in millions of dollars): 1/

Firm	1975	1976	1977	1978	1979
Budd Co	***	***	***	***	***
Pullman-Standard	***	***	***	***	***
Rohr Corp	***	***	***	***	***
Total	98.4	268.5	180.8	65.8	77.0

Production of rail passenger cars by the three responding firms, by value, increased from $98.4 million in 1975 to $268.5 million in 1976. From 1977-79 the value of production of rail passenger cars by the three responding firms decreased from $180.8 million in 1977 to a low of $65.8 million in 1978, and then increased slightly in 1979 to $77.0 million.

The trend in rail passenger car production by the petitioning firm followed a pattern similar to that of total production from 1975-79. Budd's production of rail passenger cars increased from *** cars, valued at ***, million in 1975 to *** cars, valued at *** million, in 1976, but declined to *** cars, valued at *** million, in 1979. The reason for this decline is that Budd did not bid on any rail passenger car contracts during the period from 1974-76. However, Budd's production can be expected to increase substantially during 1980-81 because of its order backlog of 563 cars.

Capacity and capacity utilization

Available U.S. capacity to produce rail passenger cars has declined since 1975 because of the departure of several firms from the industry. Rohr Corp. has converted its production facilities to other uses and therefore could not easily reenter the industry. Pullman-Standard and Boeing-Vertol, on the other hand, are still producing rail passenger cars. Although Boeing-Vertol, General Electric, and Pullman-Standard have stated that they will no longer bid as primary contractors for the production of rail passenger cars, it is very possible that any of these firms may decide to assemble cars for other primary contractors. In fact, assembly of the rail passenger cars ordered by

1/ The three firms included accounted for 66 percent of rail passenger cars delivered during 1975-79.

SEPTA will be undertaken by Boeing-Vertol, while the cars ordered by Cleveland will be assembled by General Electric.

The capacity figures shown in table 3 are based on production capabilities of three of the five primary contractors producing rail passenger cars during 1975-79. The three firms accounted for approximately 68 percent of the rail passenger cars delivered during 1975-79. Since the four types of rail passenger cars included in the investigation vary in production time required, the capacity figures included are based on the firms' actual product mix in each year. Actual capacity of the three responding firms remained fairly constant during 1975-79, with slight fluctuations attributable to variations in product mixes and the plant shutdown of Pullman-Standard because of strike.

The addition of estimated capacity figures of the two firms not included in the table would increase the total capacity figures by approximately *** cars from 1975-76 and by *** cars from 1977-79. Thus, total capacity declined from approximately *** cars in 1975, when five firms were in the industry, to about *** cars in 1979, when four firms were in the industry.

As of January 1, 1980, capacity of primary contractors declined to the level of the single firm remaining in the industry, Budd. Budd's 1979 capacity to produce each type of rail passenger car, as submitted in response to the Commission's questionnaire, was as shown in the following tabulation: 1/

Rapid-transit cars	***
Light rail vehicles	***
Suburban cars	***
Intercity cars	***

Capacity utilization increased from 35.6 percent in 1975 to 69.0 percent in 1976, the peak production year. Since 1976, utilization of capacity to produce rail passenger cars has fallen steadily as orders received in the early 70's have been completed. However, since Budd Co. has an undelivered backlog of 563 cars as of December 31, 1979, capacity utilization can be expected to rise in the next few years. Budd Co.'s capacity utilization has declined steadily, from *** percent in 1976 to *** percent in 1979. Budd's low capacity utilization in 1977-79 can be attributed to its failure to bid on any contracts from 1974-76.

1/ Based on 6-month maximum sustained period in 1976 operating two lines and 7.5 shifts per week. These figures assume that 100 percent of capacity is dedicated to the production of each type of car.

Table 3.--Capacity and capacity utilization of certain domestic rail passenger car producers, 1/ by firms, 1975-79

Firm	Capacity as of Jan. 1--					Capacity utilization during--				
	1975	1976	1977	1978	1979	1975	1976	1977	1978	1979
	Units					Percent				
Budd Co	***	***	***	***	***	***	***	***	***	***
General Electric Corp	***	***	***	***	***	***	***	***	***	***
Pullman-Standard	***	***	2/ ***	2/ ***	***	***	***	***	***	***
Total	1,103	1,085	943	933	1,123	35.6	69.0	58.8	26.4	11.6

1/ The three firms included accounted for approximately 68 percent of the rail passenger cars delivered by domestic producers in 1975-79.

2/ Figures have been adjusted to reflect the fact that the Pullman-Standard plant was shut down because of strike from October 1977 to April 1978.

Source: Compiled from responses received from questionnaires sent to producers by the U.S. International Trade Commission.

U.S. deliveries and undelivered backlog 1/

The source of a particular rail passenger car delivery, for the purpose of this preliminary investigation, is determined to be either foreign or domestic, based on the location of the primary contractor's production facilities. Nissho-IWAI, a Japanese trading company, is considered to be a foreign producer since it does not operate a domestic production facility.

U.S. rail passenger car deliveries (table 4) were erratic during 1971-79. Deliveries ranged from a low of 268 units in 1974 to a high of 1,067 units in 1976. The most significant change in the composition of recent deliveries is the increasing number of light rail vehicles. Deliveries of rapid-transit cars fell sharply from 500 cars in 1977 to 70 cars in 1979. Deliveries by foreign producers have been predominantly of rapid-transit and suburban cars, although three recent contracts won by foreign firms are for the production of light rail vehicles. The intercity cars delivered during 1971-79 were apparently purchased from foreign sources primarily because there were no technologically equivalent domestic cars available at the time.

Table 5 shows the undelivered backlog of cars for use in the domestic market. The total undelivered backlog of rail passenger cars (1,312 cars) is divided among the various types of cars as follows:

Rapid-transit cars	706
Light rail vehicles	223
Suburban cars	205
Intercity cars	178
Total	1,312

1/ Deliveries and undelivered backlog are based on data from all producers participating in the U.S. market from 1971-79.

Table 4.--U.S. rail passenger car deliveries, by types and by sources, 1971-79

Type and source	1971	1972	1973	1974	1975	1976	1977	1978	1979
Light rail vehicles:									
Total 1/	0	0	0	0	0	30	61	16	71
Rapid transit cars:									
Domestic producers	86	340	254	101	145	500	500	170	10
Foreign producers	0	46	0	0	0	0	0	10	60
Total	86	386	254	101	145	500	500	180	70
Suburban cars:									
Domestic producers	319	376	169	167	127	128	165	131	126
Foreign producers	0	0	0	0	0	0	36	0	40
Total	319	376	169	167	127	128	201	131	166
Intercity cars:									
Domestic producers	0	0	10	0	132	409	113	1	61
Foreign producers	0	0	10	0	20	0	0	0	0
Total	0	0	20	0	152	409	113	1	61
Total:									
Domestic producers	405	716	433	268	404	1,067	839	318	268
Foreign producers	0	46	10	0	20	0	36	10	100
Total	405	762	443	268	424	1,067	875	328	368

1/ Light rail vehicles were delivered only by domestic producers during 1971-79.

Source: Various issues of Railway Age.

Table 5.--Undelivered backlog of rail passenger cars ordered from domestic and foreign producers, by purchasers, as of Dec. 31, 1979

Purchaser	Number of cars	Type	Builder
Amtrak	168	Intercity	Pullman-Standard.
	10	Intercity	Bombardier-MLW.
Atlanta (MARTA)	72	Rapid transit	Franco-Belge.
Baltimore Metro	72	Rapid transit	Budd.
Chicago Transit Authority	300	Rapid transit	Budd.
Chicago RTA	55	Suburban	Budd.
Cleveland (GCRTA)	48	Light rail	Breda (Italy).
Dade County (Miami)	136	Rapid transit	Budd.
MBTA (Boston)	150	Suburban	Hawker-Siddeley.
PATCO (Lindenwold)	32	Rapid transit	Vickers.
SEPTA (Philadelphia)	141	Light rail	Kawasaki (Japan).
San Diego Transit	14	Light rail	Siemans-Duwag.
San Francisco Muni	20	Light rail	Boeing-Vertol.
Washington Metro	94	Rapid transit	Breda (Italy).
Total backlog	1,312		

Source: Railway Age, Jan. 14, 1980, p. 17.

U.S. imports

U.S. imports of rail passenger cars and parts thereof cannot be separated from imports of freight cars and parts thereof since they are classified together under the Tariff Schedules of the United States (TSUS). Imports of railway cars and parts, by countries of origin, are listed in Appendix D. The primary sources of imports of rail passenger cars were Canada and France. The passage of the Surface Transportation Act of 1978 and its Buy America provisions will probably result in the termination of imports of complete rail passenger cars. Imports of complete rail passenger cars, as reported in Railway Age, are shown in the following tabulation:

	Cars imported
1975	20
1976	0
1977	36
1978	10
1979	100

U.S. Exports

U.S. producers had exported no rail passenger cars in nearly 20 years until 1979 when Budd delivered an order of six cars (one train) to Morocco.

Several domestic manufacturers reportedly submitted bids over the years on contracts in Canada, Europe, Egypt, and Venezuela, but failed to win any contracts.

Apparent U.S. consumption

Apparent U.S. consumption of rail passenger cars, as shown in table 6, increased from 424 cars in 1975 to 1,067 cars in 1976, but then declined to 328 cars in 1978. The ratio of imports to consumption of complete rail passenger cars was less than 5 percent from 1975-78, but rose significantly in 1979 to 27.6 percent.

Table 6.--Rail passenger cars: Domestic shipments, exports, and imports, 1975-79

Period	Domestic shipments	Exports 1/	Imports	Apparent Consumption	Ratio of imports to consumption
					Percent
1975	404	0	20	424	4.7
1976	1,067	0	0	1,067	-
1977	839	0	36	875	4.1
1978	318	0	10	328	3.0
1979	268	6	100	362	27.6

1/ Compiled from responses received from questionnaires sent to producers by the U.S. International Trade Commission.

Source: Compiled from various issues of Railway Age, except as noted.

Employment

The average number of production and related workers of the four firms responding to the Commission's questionnaire increased slightly from 3,437 in 1975 to 3,473 in 1976. Employment during 1976 was the highest of the 5-year period shown in table 7, corresponding with the peak production level recorded in that year. Employment decreased from 3,295 in 1977 to 1,998 in 1978, but then increased to 2,834 in 1979. Employment in the industry should continue to trend upward as Budd Co. begins work on its new contracts and Boeing-Vertol and G.E. begin assembly of cars for the SEPTA and Cleveland contracts. Although Pullman-Standard no longer bids on contracts, it could well receive subcontracting work from primary contractors.

The production workers at the petitioner's company are represented by the United Automobile Workers Union (UAW). Neither the UAW nor the production workers from Budd Co. petitioned the U.S. Department of Labor for worker

adjustment assistance under section 222 of the Trade Act of 1974 during the period 1975-79.

The number of production and related workers engaged in the production of rail passenger cars in the petitioning firm, which supplied approximately 21 percent of the total rail passenger cars delivered by domestic firms during 1975-79, declined from *** employees in 1975 to *** employees in 1979, or by *** percent. Rail passenger car employment was relatively stable at the Budd Co. during 1975-76, averaging about ***; but employment declined sharply in 1977 to *** employees and remained at this level during the next 2 years.

Table 7.--Average number of production and related workers, by companies, employed in the production of rail passenger cars, 1975-79

Company	1975	1976	1977	1978	1979
Budd Co	***	***	***	***	***
General Electric	***	***	***	***	***
Pullman-Standard	***	***	***	***	***
Rohr Corp	***	***	***	***	***
Total	3,437	3,473	3,295	1,998	2,834

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. The four responding firms accounted for approximately 83 percent of the rail passenger car deliveries during 1975-79.

Profit-and-loss experience

Profit-and-loss data were received from three firms on their rail passenger car operations. 1/ These three firms represent approximately 66 percent of total U.S. deliveries of rail passenger cars from 1975-79. All three firms employed the percentage-of-completion accounting method, however, application of the method differed.

* * * * * * *

1/ See app. E.

Because of the nature of the accounting methods utilized and the use of estimates, there may not be a proper matching of revenues and costs in each period; therefore, annual figures may be distorted, and any analysis of trend might be misleading. To smooth out the distortions in any period, annual average amounts are computed for certain financial data for each company and presented as follows. The annual average amount for each item more closely resembles actual financial experiences, although individual items could still be overstated or understated on the basis of the amount of profit available to the company in each contract.

Table 8.--Selected financial data for 2 U.S. producers of rail passenger cars on their rail passenger car operations, by firms, 1977-79

* * * * * * *

Investment in productive facilities

Domestic producers were requested to supply information on their investment in productive facilities, which is presented in table 9. The book value of investments in productive facilities made by Budd Co. and Pullman-Standard remained fairly steady during the period. *** The capital expenditures incurred by these firms declined by 49 percent in 1978 and 37 percent in 1979, compared with expenditures in 1977.

Table 9.--Rail passenger cars: Investment in productive facilities and capital expenditures, by firms, 1977-79

* * * * * * *

Research and development expenditures

Research and development expenditures relevant to railway projects were reported by Budd Co. as shown in table 10. Budd Co. listed several research projects involving different types of tests and evaluation programs, technical developments, customer requirements, and improvement programs.

Table 10.--Railway research and development effort of the Budd Co., 1975-79

* * * * * * *

Consideration of the Causal Relationship Between the Alleged LTFV Imports From Italy and Japan and the Alleged Injury

Foreign penetration of the domestic rail passenger car industry based on contracts

The participation of foreign firms in the U.S. rail passenger car market was, until 1977, primarily limited to Canadian and French car builders. In 1977 and 1979, Breda (Italy) won two contracts to build a total of 142 light rail vehicles and rapid-transit cars valued at approximately $107.4 million. West Germany won a contract to build 14 light rail vehicles in 1978 valued at $9.1 million. Most recently, Nissho-IWAI (Japan) was awarded a contract for construction of 141 light rail vehicles valued at $57.7 million. For a complete chronology of rail passenger car purchases from 1970-79, see appendix F. Because of the recent increase in contracts awarded to foreign bidders and the normal 2-year time lag between contract award and initial deliveries, an analysis of contract awards is necessary to ascertain the level of foreign penetration into the market.

Although these awards will be referred to as orders from domestic or foreign producers, the actual origin of the components used in the assembled car may vary considerably. In the case of orders from Breda and Nissho-IWAI, only the imported components would be considered foreign. However, for purposes of discussion, the entire car will be considered foreign if the primary contractor (contract awardee) does not operate a U.S. production facility.

Tables 11 and 12 show rail passenger cars ordered from foreign producers and domestic producers. Total rail passenger car orders increased from 144 cars, valued at $54.9 million, in 1971 to 858 cars, valued at $338 million, in 1973, but then declined to 349, cars valued at $157.5 million, in 1978. The foreign market share has fluctuated widely, but the trend of foreign participation in the U.S. rail passenger car market is clearly upward from 1970 to 1979. Market penetration figures based on the number of cars are felt to be more accurate than market shares based on value since partial estimates were used for the value of three contracts. Total foreign orders peaked in 1976 at 325 cars, decreased to 14 cars in 1978, but then increased significantly in 1979 to 235 cars. The foreign market share increased from 0 percent in 1975 to 58.7 percent in 1976, declined to 4.0 percent in 1978, but then rose to 48.0 percent in 1979. Total domestic orders peaked at 1,045 cars in 1972, decreased to 858 cars in 1973, and from 1974-79 fluctuated between 177 and 335 cars. During 1970-75 the domestic market share remained above 75 percent. The domestic market share then increased from 41.3 percent in 1976 to 96.0 percent in 1978, but declined to 52.0 percent in 1979.

Price

The price of a rail passenger car may vary significantly depending on type of car (i.e. rapid-transit, light rail vehicle, etc.), whether the cars are self-propelled or locomotive hauled, level of technology of the cars, and

Table 11.--Rail passenger cars: Orders placed with foreign producers, 1/ total foreign orders, total orders, and foreign market share, by countries, 1970-79 2/

(Quantity in units; value in millions of dollars)

Year	Italy	France	Canada	West Germany	Japan	Total foreign orders	Total orders	Foreign market share (percent)
	Quantity							
1970	0	0	46	0	0	46	190	24.2
1974	0	30	0	0	0	30	310	9.7
1976	0	100	225	0	0	325	554	58.7
1977	48	20	46	0	0	114	291	39.2
1978	0	0	0	14	0	14	349	4.0
1979	94	0	0	0	141	235	490	48.0
	Value							
1970	-	-	8.8	-	-	8.8	68.2	12.9
1974	-	18.0	-	-	-	18.0	159.0	11.3
1976	-	56.3	117.6	-	-	173.9	342.4	50.8
1977	31.0	3/ 11.2	33.6	-	-	75.8	174.8	43.4
1978	-	-	-	9.1	-	9.1	157.5	5.8
1979	76.4	-	-	-	57.7	134.1	311.6	43.0

1/ Based on contracts awarded to foreign producers.
2/ No contracts were awarded to foreign producers during 1971-73 and 1975.
3/ Partially estimated.

Source: Compiled from information supplied by UMTA, Amtrak, and various issues of Railway Age.

Table 12.--Rail passenger cars: Orders placed with domestic producers, 1/ total domestic orders, total orders, and domestic market shares, by companies, 1970-79

(Quantity in units; value in millions of dollars)

Year	Budd Co.	Pullman-Standard	General Electric Corp.	Boeing-Vertol	Rohr Corp.	Total domestic orders	Total orders	Domestic market share (percent)
				Quantity				
1970	0	0	144	0	0	144	190	75.8
1971	0	0	144	0	0	144	144	100.0
1972	0	745	0	0	300	1,045	1,045	100.0
1973	528	0	0	330	0	858	858	100.0
1974	0	0	100	145	35	280	310	90.3
1975	0	235	88	0	0	323	323	100.0
1976	0	49	180	0	0	229	554	41.3
1977	102	25	50	0	0	177	291	60.8
1978	300	35	0	0	0	335	349	96.0
1979	255	0	0	0	0	255	490	52.0
				Value				
1970	-	-	59.4	-	-	59.4	68.2	87.1
1971	-	-	54.9	-	-	54.9	54.9	100.0
1972	-	208.5	-	-	91.6	300.1	300.1	100.0
1973	239.7	-	-	98.3	-	338.0	338.0	100.0
1974	-	-	63.9	2/ 43.7	33.4	141.0	159.0	88.7
1975	-	144.0	64.1	-	-	208.1	208.1	100.0
1976	-	2/ 36.9	131.6	-	-	168.5	342.4	49.2
1977	48.2	10.8	40.0	-	-	99.0	174.8	56.6
1978	133.3	15.1	-	-	-	148.4	157.5	94.2
1979	177.5	-	-	-	-	177.5	311.6	57.0

1/ Based on contracts awarded to domestic producers.
2/ Partially estimated.

Source: Compiled from information supplied by UMTA, Amtrak, and various issues of Railway Age.

various other characteristics of the specific car. The average price of rail passenger cars ordered from 1970-79 is shown in the following tabulation: 1/

Year	Average price per car (thousand dollars)
1970	359
1971	381
1972	287
1973	394
1974	513
1975	644
1976	830
1977	601
1978	451
1979	636

The average price of rail passenger cars purchased during 1970-79 trended upward owing to inflation and the higher level of technology incorporated into the most recently ordered cars. The high average in 1976 is due to the large number of self-propelled commuter cars ordered in that year. According to information obtained from UMTA, the base bids of the three alleged LTFV sales compared with the base bids of the petitioning firm were as shown in the following tabulation (in millions of dollars):

Purchaser	Contract awardee	Awarded base bid	Budd Co. base bid
GCRTA (Cleveland)	Breda	31.0	1/ 32.5
SEPTA (Philadelphia)	Nissho-Iwai	57.7	84.0
WMATA (Washington)	Breda	76.4	103.3

1/ Budd Co. bid submitted in a joint venture with UTDC (Canada).

The base bid of Budd Co. on the GCRTA (Cleveland) contract was $1.5 million higher (4.8 percent) than Breda's bid. After adding the dollar amount of the alleged dumping margin (8.34 percent) to Breda's bid, the Budd Co./UTDC (Canada) bid would have been the lowest. The initial low bid submitted by UTDC alone was found to be not responsive because the smaller car they offered did not meet the Cleveland design specifications. Sixteen other bids were submitted, as shown in appendix F, all higher than the Budd Co./UTDC bid of

1/ Based on bid price for contracts awarded from 1970 to 1979, as shown in app. F.

$28.8 million. Budd Co. and UTDC also submitted a bid on a different mix of cars of $34.7 million.

The base bid of Budd Co. on the SEPTA (Philadelphia) contract was $26.3 million higher (45.6 percent) than Nissho-Iwai's bid. After adding the dollar amount of the alleged Japanese dumping margin (46.67 percent) to Nissho-Iwai's bid, the Budd Co. bid on the contract would be slightly lower than the Japanese bid. However, Budd Co. probably would not have obtained this contract even with the addition of the alleged dumping margin to the Japanese bid since there were four other bids lower than the petitioner's. UTDC (Canada) was the next lowest bidder after Nissho-Iwai.

The base bid of Budd Co. on the WMATA (Washington) contract was $26.9 million higher (35.2 percent) than Breda's bid. After adding the dollar amount of the alleged Italian dumping margin (8.34 percent) to Breda's bid, Budd's base bid would still have been higher than Breda's. In fact, with the addition of the alleged dumping margin, Breda's bid of $82.7 million would still have been the lowest bid for the contract.

APPENDIX A

TREASURY DEPARTMENT'S NOTICE OF ANTIDUMPING PROCEEDING

U.S. Delegation to the First Assembly of Parties, International Maritime Satellite System (INMARSAT); London, October 24–26, 1979

Representative

Arthur L. Freeman, Office of International Communications Policy, Bureau of Economic and Business Affairs, Department of State.

Advisers

Melvin Barnat, National Telecommunications and Information Administration.
H. Clay Black, Shipping Attache, American Embassy, London.
Robert Greenburg, Federal communications Commission.

Private Sector Adviser

Robert Bourne, Communications Satellite Corporation, Washington, D.C.

U.S. Delegation to the Annual Meeting of the North Pacific Fisheries Convention (INPFC); Tokyo, October 29–November 2, 1979

Commissioners

The Honorable Elmer Rasmuson, United States Commissioner, Chairman, U.S. Section.
The Honorable Harry Rietze, United States Commissioner.
The Honorable Robert R. Thorstenson, United States Commissioner.
Harold Lokken, United States Commissioner Designate.

Advisers

Joan L. Bergy, Director, Consumer product Safety Commission, Department of Commerce, Seattle, Washington.
William MacKenzie, Foreign Affairs Officer, Office of International Fisheries Service, National Oceanic and Atmospheric Administration, Department of Commerce.
Herman McDevitt, Pacific Regional Fishery Management Council, Pocatello, Idaho.
Charles Meacham, Director, Office of the Governor, Office of International Fisheries and External Affairs, Juneau, Alaska.
J. Carlton Price, Fisheries Affairs Officer, Office of Fisheries Affairs, Department of State.
Clement Tillion, State Senator, Alaska State Senate, Juneau, Alaska.

Private Sector Advisers

Truman C. Emberg, Business Manager, Western Alaska Cooperative Market, Dillingham, Alaska.
Jessie Foster, Chairman, Native Fishermen's Cooperative, Quinhagek, Alaska.
John Gilbert, Vice President, Bumble Bee Seafoods, Inc., Seattle, Washington.

[FR Doc. 79-36463 Filed 11/26/79; 8:45 am]
BILLING CODE 4710-19-M

DEPARTMENT OF THE TREASURY

Customs Service

[T.D. 79-293]

White or Irish Potatoes, Other Than Certified Seed; Tariff-Rate Quota for the Quota Year Beginning September 15, 1979, for White or Irish Potatoes, Other Than Certified Seed

November 16, 1979.

AGENCY: U.S. Customs Service, Department of the Treasury.

ACTION: Announcement of the quota quantity for white or Irsih potatoes, other than certified seed, for the 12-month period beginning September 15, 1979.

SUMMARY: The tariff-rate quota for white or Irish potatoes, other than certified seed, pursuant to item 137.25, Tariff Schedules of the United States, for the 12-month period beginning September 15, 1979, is 45 million pounds.

EFFECTIVE DATES: The 1979 tariff-rate quota is applicable to white or Irish potatoes described in item 137.25, TSUS, entered, or withdrawn from warehouse, for consumption during the 12-month period beginning September 15, 1979.

FOR FURTHER INFORMATION CONTACT: Helen C. Rohrbaugh, Head, Quota Section, Duty Assessment Division, Office of Commercial Operations, U.S. Customs Service, Washington, D.C. 20229 (202–566–8592).

SUPPLEMENTARY INFORMATION: Each year the tariff-rate quota for potatoes described in item 137.25, Tariff Schedules of the United States (TSUS), is based on the estimate by the Department of Agriculture of potatoes produced during the calendar year.

The estimate of the production of white or Irish potatoes, including seed potatoes, in the United States for the calendar year 1979, made by the United States Department of Agriculture as of September 1, 1979, was in excess of 21 billion pounds.

In accordance with headnote 2, part 8A, of schedule 1, Tariff Schedules of the United States, the quota quantity is not increased because the estimated production is greater than 21 billion pounds.

R. E. Chasen,

Commissioner of Customs.

[FR Doc. 79-36445 Filed 11-26-79; 8:45 am]
BILLING CODE 4810-22-M

[T.D. 79-297]

Reimbursable Services—Excess Cost of Preclearance Operations

November 15, 1979.

Notice is hereby given that pursuant to section 24.18(d), Customs Regulations (19 CFR 24.18(d)), the biweekly reimbursable excess cost for the new preclearance installation is estimated to be as set forth below, effective October 28, 1979.

Installation and Biweekly Excess Cost

Edmonton, Canada, $4,315.00

Mitchell A. Levine,

Director, Office of Financial Management and Programs.

[FR Doc. 79-36444 Filed 11-26-79; 8:45 am]
BILLING CODE 4810-22-M

Office of the Secretary

Rail Passenger Cars and Parts Thereof Intended for Use as Original Equipment in the United States From Japan and Italy; Antidumping Proceeding Notice

AGENCY: U.S. Treasury Department.

ACTION: Initiation of Antidumping Investigation.

SUMMARY: This notice is to advise the public that a petition in proper form has been received and an antidumping investigation is being initiated for the purpose of determining whether imports of rail passenger cars and parts thereof which are intended for use as original equipment in the United States from Japan and Italy are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Sales at less than fair value generally occur when the prices of the merchandise sold for exportation to the United States are less than the prices of such or similar merchandise in the home market.

EFFECTIVE DATE: November 27, 1979.

FOR FURTHER INFORMATION CONTACT: Charles E. Wilson, Trade Analysis Division, U.S. Customs Service, 1301 Constitution Avenue, N.W., Washington, D.C. 20229, telephone (202) 566–5492.

SUPPLEMENTARY INFORMATION: On October 16, 1979, a petition was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from counsel for the Budd Company (Railway Division), Philadelphia, Pennsylvania, alleging that rail passenger cars and parts thereof which are intended for use as original equipment in the United States from Japan and Italy are being, or are likely to be, sold at less than fair

value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 *et seq.*) (hereinafter referred to as "the Act").

The investigation is limited to rail passenger cars and parts intended for use as original equipment. Replacement parts are not included due to the petition's lack of price and injury information regarding imports of these items. Most rail passenger cars and original equipment parts enter under the following numbers of the Tariff Schedules of the United States: 690.10, 690.15, 690.25, 690.30, 690.35, 690.40. On occasion merchandise covered by this investigation enters under other TSUS numbers, therefore the above numbers are to be viewed as a guide rather than a limiting definition.

Based upon information supplied by the petitioner and derived from Custom's summary investigation, it appears that margins of dumping may be as much as 87 percent for this merchandise imported from Japan and 9 percent for this merchandise imported from Italy.

The petition includes evidence concerning injury, or likelihood of injury, to U.S. producers of rail passenger cars and parts intended for use as original equipment in the U.S. Four of the five major U.S. manufacturers have ceased or have announced plans to cease production of this merchandise since 1975. Also cited in the petition as evidence of injury are the following factors: increased Japanese and Italian penetration of the U.S. market during the period of January 1976 through August 1979, declining capacity utilization in the U.S. and declining profits in U.S. manufacturers.

Having conducted a summary investigation as required by § 153.29 of the Customs Regulations (19 CFR 153.29), and having determined as a result thereof that there are grounds for doing so, the U.S. Customs Service is instituting an inquiry to verify the information submitted and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact or likelihood of sales at less than fair value.

This notice is published pursuant to § 153.30, Customs Regulations (19 CFR 153.30).

Robert H. Mundheim,

General Counsel of the Treasury.

November 20, 1979.

[FR Doc. 79-36471 Filed 11-26-79; 8:45 am]

BILLING CODE 4810-22-M

Imported Steel Mill Products Trigger Price Mechanism: First Quarter 1980 Revision of Trigger Prices

The Treasury Department hereby announces steel mill product trigger prices for the first quarter of 1980. These trigger prices are part of the Treasury Department's steel trigger price mechanism (TPM) and are used by the Department to monitor the prices of steel mill product imports for possible initiation of dumping investigations under the Antidumping Act. Each quarter Treasury reviews the cost of Japanese steel production and revises trigger prices accordingly.

First quarter 1980 trigger prices of the major steel mill products will increase, on average, approximately 5 percent from their fourth-quarter 1979 levels. This 5 percent increase includes a 3.1 percent increase in trigger price bases and extras, a $1 to $3 increase in TPM freight rates, and, on average, about a $6 increase in the interest component of the TPM delivery charges. First-quarter trigger prices will apply to imports shipped on or after January 1, 1980.

The trigger base prices and extras of those steel mill products manufactured principally by electric furnace producers will remain at their fourth-quarter levels. The trigger price bases for stainless steel wire products will decrease slightly, while most stainless steel wire extras will increase slightly. The landed trigger price of these products will include the $1 to $3 increase in TPM freight rates and the substantial increase in the interest component of delivery charges.

The TPM includes a "flexibility band" for quarterly adjustments which allows trigger prices to differ by as much as 5 percent from Treasury's quarterly estimates of Japanese steel production costs. The flexibility band has been used in each of the past four quarters to moderate the effect of sharp changes in the yen/dollar exchange rate. First-quarter 1980 trigger price bases and extras are 4 percent higher than Treasury's estimate of production costs.

I. Production Costs

A. Integrated Producers

Treasury's first-quarter 1980 estimates of Japanese steel production costs reflect the results of an extensive review of the costs performed by Treasury's TPM task force in September 1979. The task force obtained a substantial quantity of new data on the Japanese steel industry from discussions with Japanese govenment and industry officials and from tours of Japanese steel plants.

The information obtained by the task force has allowed Treasury to make reliable estimates of quarterly Japanese steel effective capacity utilization. These estimates were used to move the five-year average of effective capacity utilization forward three quarters from a January 1974 through December 1978 average to an October 1974 through September 1979 average. The new five-year average capacity utilization for the total Japanese steel industry is 75.2 percent, down from the previous five-year average of 77.6 percent. The new five-year average is within one-percent of the average rate at which the Japanese steel industry has utilizated its effective capacity in 1979.

The movement of the five-year average effective capacity utilization rate increases Treasury's estimate of the average production costs of the six-major integrated Japanese steel producers by over $3 per metric ton. Other data gathered on the task forces' trip resulted in Treasury's increasing the "other expenses" category of integrated producers' costs by about $1 per metric ton, and the basic raw materials category by nearly $5 per metric ton. Energy costs also increased, adding another $1.5 per metric ton to basic raw materials costs.

These cost increases were substantially offset by the effect on Treasury's dollar-valued estimate of production costs of the yen's depreciation relative to the dollar. First quarter 1980 trigger prices are based on a 227 yen/dollar exchange rate, the average rate for the period September 4 through November 2, 1979. This compares to the 217 yen/dollar exchange rate (the average for the period June 8 through August 7) upon which Treasury's fourth-quarter production costs estimates were based.

See Table 1 below for a comparison by cost component of fourth-quarter 1979 and first-quarter 1980 steel production cost estimates.

To the $344 per net ton production cost estimate, Treasury applied 4 percent of the flexibility band, bringing the first quarter trigger price level to $358 per net ton.

Table 1.—*Japanese Production cost Estimate: Integrated Steel Producers 4th Quarter 1979 and 1st Quarter 1980*

[U.S. dollars per metric ton of finished product]

	4th quarter 1979	1st quarter 1980
Basic raw materials	$132 93	$139 23
Other raw materials	65 55	62 66
Labor	83 68	87 19
Other expenses	26 01	26 75
Depreciation	26 98	26 58
Interest	23 56	23 10
Profit [1]	25.14	25.27

APPENDIX B

TREASURY DEPARTMENT'S LETTER OF NOTIFICATION TO THE U.S. INTERNATIONAL TRADE COMMISSION

A-38

04 JAN 1980

Dear Mr. Mason:

In accordance with the requirements of the Trade Agreements Act of 1979, the following countervail and antidumping cases are being referred to the Commission for a determination of injury or reasonable indication thereof. With regard to countervail investigations, only those cases involving products from countries which signed the Code at Geneva are being referred.

I. Countervailing Duty Cases in which the collection of duties was waived pursuant to the Trade Act of 1974 (5 cases):

Product	Country
Dairy Products (other than quota cheeses)	Member states of the European Communities
Canned Hams	Member states of the European Communities
Butter Cookies	Denmark
Fish	Canada
Leather Handbags	Brazil

II. Countervailing Duty Cases in which final affirmative determinations were issued between July 26 and December 31, 1979 (2 cases):

Product	Country
Tomato Products	Member states of the European Communities
Potato Starch	Member states of the European Communities

III. Countervailing Duty final affirmative determination with regard to frozen beef from member states of the European Communities (1 case).

IV. Countervailing Duty investigations in which a preliminary affirmative determination (but no final determination) has been issued (8 cases):

Product	Country
Corn Starch	Member states of

Valves	Italy
Rayon Staple Fiber	Austria
Valves	Japan
Scales	Japan
Malleable Pipe Fittings	Japan
Firearms	Brazil
Ferroalloys	Brazil

V. Countervailing Duty Cases which have been initiated, but for which no preliminary or final determination has been issued (4 cases):

Product	Country
Frozen Potato Products	Canada
Roses	Netherlands
Glass Lined Steel Reactor Pressure Vessels	France
Chains and Parts	Japan

VI. Antidumping Cases for which there have been preliminary affirmative determinations, but no final determinations (3 cases):

Product	Country
Portable Typewriters	Japan
Melamine	Austria
Melamine	Italy

VII. Antidumping Cases which have been initiated, but for which no preliminary or final determinations have been issued (9 cases):

Product	Country
Sodium Hydroxide	United Kingdom
Sodium Hydroxide	West Germany
Sodium Hydroxide	Italy
Sodium Hydroxide	France
Rail Passenger Cars	Italy

Rail Passenger Cars	Japan
Electric Motors	Japan
Microwave Ovens	Japan
Canned Clams	Canada

If you have any questions regarding any of these cases, please feel free to contact me or members of my staff at 566-2323.

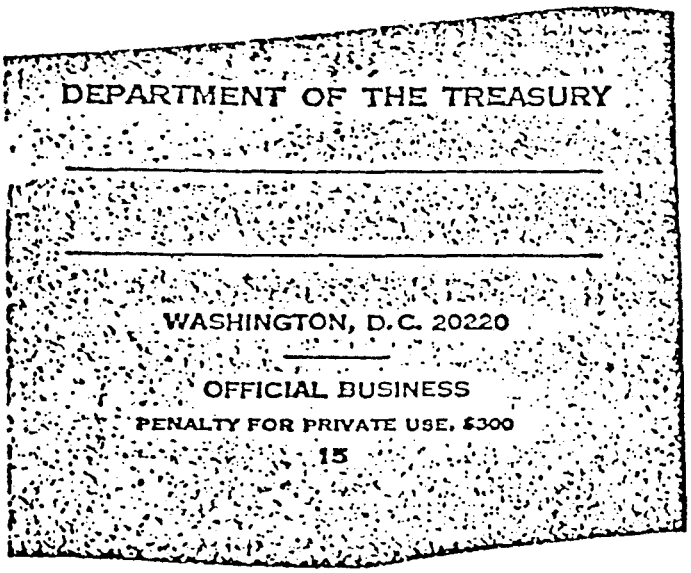
Regards,

Richard B. Self

Richard B. Self
Director, Office of Policy
Office of the Assistant Secretary
for Trade Administration

cc: Dave Binder

Mr. Kenneth R. Mason
Secretary to the Commission
U.S. International Trade Commission
Washington, D.C. 20436



APPENDIX C

NOTICE OF THE COMMISSION'S INQUIRY AND CONFERENCE

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

Notice of Institution of Preliminary Antidumping Investigations and Scheduling of Conferences

AGENCY: United States International Trade Commission

ACTION: Institution of eight preliminary antidumping investigations under section 733(a) of the Tariff Act of 1930 to determine whether with respect to the articles involved there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise allegedly sold or likely to be sold at less than fair value.

EFFECTIVE DATE: January 1, 1980.

FOR FURTHER INFORMATION CONTACT: The supervisory investigator assigned by the Commission to the particular investigation for which the information is sought. The assignments of supervisory investigators and their telephone numbers at the Commission are designated below.

SUPPLEMENTARY INFORMATION: The Trade Agreements Act of 1979, section 102(b)(1), requires that the Commission conduct preliminary antidumping investigations in cases where on January 1, 1980, the Secretary of the Treasury has not made a preliminary determination under the Antidumping Act, 1921, as to the question of less-than-fair-value sales. Accordingly, the Commission hereby gives notice that, effective as of January 1, 1980, it is

instituting the following investigations pursuant to section 733(a) of the Tariff Act of 1930, as added by title I of the Trade Agreements Act of 1979. These investigations will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 FR 76457) and, particularly, Subpart B thereof, effective January 1, 1980.

Written submissions. Any person may submit to the Commission on or before the date specified below for the relevant investigation a written statement of information pertinent to the subject matter of the investigation. A signed original and nineteen true copies of such statements must be submitted.

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 section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conferences. The Director of Operations of the Commission has scheduled a conference in each investigation on the date specified below. Parties wishing to participate in a conference should contact the appropriate supervisory investigator designated below. It is anticipated that parties in support of the petition for antidumping duties and parties opposed to such petition will each be collectively allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the supervisory investigator.

PRELIMINARY ANTIDUMPING INVESTIGATIONS

Inv. No.	Product/Country	Conference Date	Conference Location	Deadline for written submissions	Contact Person
731-TA-4 (Prelim.)	Counter top microwave ovens provided for in TSUS item 684.25/Japan	Jan. 28, 1980	ITC Bldg. Wash. DC	Jan. 31,1980	Bruce Cates 523-0368
731-TA-5 (Prelim.)	Rail passenger cars & parts thereof, however provided for in the TSUS, intended for use as original equipment in the U.S./Italy	Jan. 29, 1980	ITC Bldg. Wash. DC	Feb. 1,1980	Daniel Leahy 523-1369
731-TA-6 (Prelim.)	Rail passenger cars & parts thereof, however provided for in the TSUS, intended for use as original equipment in the U.S./Japan	Jan. 29, 1980	ITC Bldg. Wash. DC	Feb. 1,1980	Daniel Leahy 523-1369
731-TA-7 (Prelim.)	AC, polyphase electric motors, over 5 horsepower but not over 500 horsepower, provided for in TSUS items 682.41 through 682.50/Japan	Jan. 30, 1980	ITC Bldg. Wash. DC	Feb. 4,1980	Bruce Cates 523-0368
731-TA-8 (Prelim.)	Sodium hydroxide, in solution (liquid caustic soda), provided for in TSUS item 421.08/Federal Republic of Germany	Jan. 31, 1980	ITC Bldg. Wash. DC	Feb. 5,1980	John MacHatton 523-0439
731-TA-9 (Prelim.)	Sodium hydroxide, in solution (liquid caustic soda), provided for in TSUS item 421.08/France	Jan. 31, 1980	ITC Bldg. Wash. DC	Feb. 5,1980	John MacHatton 523-0439
731-TA-10 (Prelim.)	Sodium hydroxide, in solution (liquid caustic soda), provided for in TSUS item 421.08/Italy	Jan. 31, 1980	ITC Bldg. Wash. DC	Feb. 5,1980	John MacHatton 523-0439
731-TA-11 (Prelim.)	Sodium hydroxide, in solution (liquid caustic soda), provided for in TSUS item 421.08/United Kingdom	Jan. 31, 1980	ITC Bldg. Wash. DC	Feb. 5,1980	John MacHatton 523-0439

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: January 9, 1980

APPENDIX D

DATA ON U.S. IMPORTS, 1975-78 AND JANUARY-OCTOBER 1979

Table D1.--Self-propelled rail cars (TSUS item 690.10): U.S. imports, by principal sources, 1975-78 1/ and January-October 1979

Source	1975	1976	1978	January-October 1979
	Quantity (units)			
Canada	0	3	16	39
France	13	7	6	26
Sweden	0	0	10	1
Italy	0	0	0	1
Switzerland	0	10	0	0
Japan	0	1	0	0
All other	2	2	0	0
Total	15	24	32	66
	Value (1,000 dollars)			
Canada	-	4	9,811	22,519
France	8,696	1,286	2,161	10,176
Sweden	-	-	537	-
Italy	-	-	-	6
Switzerland	-	2,304	-	-
Japan	-	3	-	-
All other	20	12	-	-
Total	8,716	3,605	12,510	1/ 32,702

1/ There were no imports in 1977.

Note.--Because of rounding, figures do not add to the totals shown.

Source: Official statistics of the U.S. Department of Commerce.

Table D2.--Non-self-propelled rail cars (TSUSA item 690.15): U.S. imports, by principal sources, 1975-78 and January-October 1979

Source	1975	1976	1977	1978	January-October 1979
	Quantity (units)				
Mexico	0	0	784	1,313	908
Canada	4	111	38	746	3,266
France	17	13	0	0	0
Japan	0	0	0	0	25
Other	0	0	5	0	808
Total	21	125	827	2,059	4,982
	Value (1,000 dollars)				
Mexico	-	-	14,030	39,202	31,325
Canada	14	1,172	599	20,815	116,105
France	4,839	1,369	-	-	-
Japan	-	-	-	-	100
Other	-	20	131	-	-
Total	4,853	2,561	14,760	60,017	1/ 147,531

Note.--Because of rounding, figures may not add to the totals shown.

Source: Official statistics of the U.S. Department of Commerce.

Table D3.--Axles for railway vehicles (TSUS item 690.25): U.S. imports by principal sources, 1975-78 and January-October 1979

Source	1975	1976	1977	1978	January-October 1979
	Quantity (1,000 pounds)				
Japan	877	739	1,642	15,768	18,373
France	1	112	1,985	2,064	563
Canada	74	1,752	1,869	191	4,385
Italy	1/	0	0	0	541
All other	33	535	94	113	2,376
Total	985	3,138	5,590	18,136	26,238
	Value (1,000 dollars)				
Japan	267	299	573	3,755	5,320
France	2	74	586	711	305
Canada	79	151	114	169	365
Italy	1	-	-	-	151
All other	31	165	102	286	719
Total	380	689	1,375	4,921	6,860

1/ Less than 500 pounds.

Source: Official statistics of the U.S. Department of Commerce.

Table D4.--Wheels for railway vehicles (TSUS item 690.30): U.S. imports by principal sources, 1975-78 and January-October 1979

Source	1975	1976	1977	1978	January-October 1979
	Quantity (1,000 pounds)				
France	52,588	25,623	66,081	86,020	74,759
Canada	4,214	8,599	8,990	44,282	21,035
Japan	84,695	24,870	28,048	43,914	29,851
Italy	167	0	5	0	1,933
All other	7,256	2,174	5,744	1,097	6,257
Total	148,920	61,266	108,868	175,313	133,835
	Value (1,000 dollars)				
France	13,940	7,064	14,397	20,690	20,727
Canada	1,055	2,147	2,381	11,314	7,257
Japan	20,257	5,436	5,806	9,714	8,558
Italy	64	-	1	-	423
All other	2,660	654	1,604	618	2,537
Total	37,976	15,301	24,189	42,336	39,502

Source: Official statistics of the U.S. Department of Commerce.

Table D5.--Other parts for railway vehicles (TSUS 690.35 and 690.40): U.S. imports 1975-78 and January-October 1979

(In thousands of dollars)

Period	For cars not self-propelled (690.35)	Other (690.40)	Total
1975	6,952	25,954	32,907
1976	9,282	18,333	27,615
1977	8,931	18,009	26,940
1978	21,423	18,561	39,984
1979 (January-October)	80,281	23,466	103,747

Source: Official statistics of the U.S. Department of Commerce.

APPENDIX E

SELECTED FINANCIAL DATA FOR U.S. PRODUCERS, 1977-79

Selected financial data for U.S. producers of rail passenger cars on their rail passenger car operations, by firms, 1977-79

Year and company	Revenue	Costs	Gross profit or (loss)	General, selling, and administrative expenses	Net operating profit or (loss)	Ratio of net profits or (loss) to revenues
	1,000 dollars					
1977:						
Budd Co	***	***	***	***	***	***
Pullman-Standard	***	***	***	***	***	***
Rohr Corp	***	***	***	1/	***	***
Total	194,314	205,456	(11,142)	6,595	(17,735)	(9.1)
1978:						
Budd Co	***	***	***	***	***	***
Pullman-Standard	***	***	***	***	***	***
Rohr Corp	***	***	***	1/	***	***
Total	56,106	61,941	(5,835)	7,819	(13,654)	(24.3)
1979: 2/						
Budd Co	***	***	***	***	***	***
Pullman-Standard	***	***	***	***	***	***
Total	***	***	***	***	***	***

1/ Rohr Corp. included these expenses into costs.
2/ Rohr Corp. did not produce rail passenger cars in 1979.

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

APPENDIX F

U.S. RAIL PASSENGER CAR PROCUREMENT, 1970-79

U.S. rail passenger car procurement, 1970-79

Period of order	Purchaser	Number and types of cars	Builder/bidders	Value of award/ bids	Average price per car
				Million dollars	1,000 dollars
1970	Path (New York/New Jersey Port Authority Trans-Hudson).	46-rapid-transit	*Hawker-Siddeley Pullman-Standard St. Louis car.	8.8	191
October 1970	Connecticut DOT	144-commuter 72-NYMTA 72-Conn. DOT.	*G.E.	59.4	413
1971	SEPTA (South East Pa. Transit Authority).	144-commuter	*G.E. Pullman Hawker-Siddeley St. Louis	54.9 57.1 57.9 71.4	381
1972	NYCTA (New York City Transit Authority).	745-rapid-transit.	*Pullman-Standard Westinghouse G.E. Rohr	208.5 218.2 230.8 244.3	280
1972	WMATA (Washington Metro Area Transit Authority).	300-rapid-transit.	*Rohr G.E. LTV Aerospace Tokyo Shibavra	91.6 100.5 101.6 139.2	305
1973	CTA (Chicago Transit Authority).	100-rapid-transit.	*Boeing-Vertol Rohr	29.3 32.8	293
1973	MBTA (Massachusetts Bay Area Transit Authority). Muni (S.F. Municipal Railway Improvement Corp.).	150-standard light rail vehicle 80-light rail vehicle 230-fixed rail trolley.	*Boeing-Vertol LTV Aerospace Rohr Garrett G.E.	69.0	300

See footnotes at end of table.

U.S. rail passenger car procurement 1970-79--(Continued)

Period of order	Purchaser	Number and types of cars	Builder/bidders	Value of award/ bids	Average price per car
				Million dollars	1,000 dollars
October 1973	Amtrak (National RR Passenger Corp.).	492-low-level locomotive hauled (Amfleet).	*Budd	226.2	460
1973	Chicago Northwest Suburban Transit Dist.	36-commuter	*Budd	13.5	375
1974	CTA (Chicago Transit Authority).	100-rapid-transit.	*Boeing-Vertol Rohr	30.2 33.9	302
1974	MBTA (Massachusetts Bay Area Transit Authority). MUNI (S.F. Municipal Railway Improvement Corp.).	25-light rail vehicle 20-standard light rail vehicle 45-light rail vehicle.	*Boeing Vertol LTV Aerospace Rohr Garrett G.E.	1/ 13.5	(E) 300
1974	Connecticut DOT	100-commuter 50-N.Y. MTA 50-Conn. DOT.	*G.E.	63.9	639
June 1974	Amtrak (National RR Passenger Corp.).	30-gas turbine powered trains (Turboliner) (6 trains).	*ANF	18.0	600
July 1974	Amtrak (National RR Passenger Corp.).	35-gas turbine powered trains (Turboliner) (7 trains).	*Rohr	33.4	954

See footnotes at end of table.

U.S. rail passenger car procurement 1970-79--Continued

Period of order	Purchaser	Number and types of cars	Builder/bidders	Value of award/ bids	Average price per car
				Million dollars	1,000 dollars
1975	Amtrak (National RR Passenger Corp.).	235-rapid-transit bi-level locomotive hauled (Superliner).	*Pullman-Standard	144.0	613
1975	SEPTA (S.E. Penn. Transit Authority-Reading RR).	70-commuter			
		18-option			
		88-commuter	*G.E.	64.1	728
1976	Amtrak (National RR Passenger Corp.).	49-rapid transit bi-level locomotive hauled (Superliner).	*Pullman-Standard	1/ 36.9	753
February 1976	N.J. DOT (Erie-Lackawanna RR)	160-self-propelled commuter.		117.5	
		20-option			
		180-self-propelled commuter.	*G.E.	131.6	731
May 1976	MARTA (Metropolitan Atlanta Rapid Transit Authority).	100-self-propelled heavy rail rapid-transit 75' cars.	*Franco-Belge	56.3	563
			G.E.	70.9	
June 1976	ICGRR (Chicago/South Suburban).	35-self-propelled commuter.	*Bombardier/MLN	27.2	777
			Hawker-Siddeley	33.3	
			G.E.	36.2	
August 1976	MBTA (Massachusetts Bay Area Transit Authority).	190-self-propelled heavy rail subway rapid transit.	*Hawker-Siddeley	90.4	476
			Bombardier	124.4	

See footnotes at end of table.

U.S. Rail Passenger Car Procurement 1970-79--Continued

Period of order	Purchaser	Number and types of cars	Builder/bidders	Value of award/ bids	Average price per car
				Million dollars	1,000 dollars
January 1977	West Suburban Mass. Transit District.	20-bi-level gallery.			
		2-Option			
	RTA (Chicago Regional Transit Authority).	50			
		72-bi-level locomotive hauled commuter.	*Budd	32.9	457
			Pullman-Standard		
			Pullman-Standard		
April 1977	PATCO (Delaware River Port Authority/Lindenwold, N.J.)	46-self-propelled heavy rail subway rapid transit.	*Canadian-Vickers	33.6	730
April 1977	Conrail (Long Island/Jersey Arrow).	50-self-propelled commuter.	*G.E.	40.0	800
1977	MARTA (Metropolitan Atlanta Rapid Transit Authority).	20-self-propelled rapid transit.	*Franco-Belge	1/ 11.2	560
			G.E.		
December 1977	MBTA (Massachusetts Bay Transit Authority).	25-commuter locomotive hauled.	*Pullman-Standard	10.8	432
			Budd	13.8	
October 1977	GCRTA (Greater Cleveland Regional Transit Authority).	48-self-propelled light rail vehicle	*Breda	31.0	646
			UTDC	2/ 28.8	
			Budd/UTDC	32.5	
			Pullman	34.4	
			Nissho	34.5	
			Budd/UTDC	34.7	
			Duwag	34.8	
			Nissho	35.3	
			Burgedise	36.2	
			Nissho	36.5	
			Burgedise	36.6	
			Burgedise	37.6	
			Burgedise	37.7	

See footnotes at end of table.

U.S. rail passenger car procurement 1970-79--Continued

Period of order	Purchaser	Number and types of cars	Builder/bidders	Value of award/ bids	Average price per car
				Million dollars	1,000 dollars
			Hawker	38.4	
			Hawker	40.2	
			Boeing	44.9	
			Bombardier	45.0	
			Boeing	47.1	
			Boeing	51.9	
October 1977.	RTA (Chicago Regional Transit Authority).	30-bi-level diesel hauled.	*Budd	15.3	510
July 1978---	MBTA (Massachusetts Bay Area Transit Authority).	35-diesel hauled commuter.	*Pullman-Standard	15.1	431
1978--------	CTA (Chicago Transit Authority).	300-heavy rail.	*Budd	133.3	444
			Boeing-Vertol	174.9	
			Pullman-Standard	248.0	
1978--------	San Diego Metropolitan Transit Development Board.	14 light rail vehicle.	*Siemans-Duwag Breda	9.1	650
February 1979.	SEPTA (S.E. Penn. Transit Authority).	141-light rail vehicle.	*Nissho-Iwai	57.7	409
			UTDC 2/	61.5	
			Breda	68.5	
			Hawker-Siddeley	77.4	
			BN	81.3	
			Budd	84.0	
1979--------	RTA (Chicago Regional Transit Authority).	34-bi-level diesel hauled commuter.	*Budd	19.2	565
February 1979.	Metro Dade County Transit Miami.	136-subway rapid transit.			
	MD. DOT (Baltimore Mass Transit Authority).	72-subway			
		208-rapid transit.	*Budd	145.4	699
July 1979---	WMATA (Washington Metro. Area Transit Authority).	94-subway	*Breda	76.4	813
			Hawker-Siddeley	92.4	
			Budd	103.3	
July 1979---	State of Connecticut	13-SPV/2000 self-propelled	*Budd	12.9	992

1/ Estimated.
2/ This bid was found to be not responsive because it did not meet the Cleveland design specifications.
* Represents winner of contracts.

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