SNOW-GROOMING VEHICLES, PARTS THEREOF AND ACCESSORIES THEREFOR FROM THE FEDERAL REPUBLIC OF GERMANY

Determination of the Commission in Investigation No. 731-TA-36 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Data which would disclose confidential operations of individual concerns may not be published and, therefore have been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-36 (Preliminary)

SNOW-GROOMING VEHICLES, PARTS THEREOF AND ACCESSORIES THEREFOR FROM THE FEDERAL REPUBLIC OF GERMANY

Determination

On the basis of the record in investigation No. 731-TA-36 (Preliminary), the Commission unanimously determines that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or that the establishment of an industry in the United States is materially retarded by reason of the importation of certain snow-grooming vehicles, provided for in items 692.16 or 692.35 of the Tariff Schedules of the United States (TSUS) or parts thereof, and accessories therefor chiefly used on such vehicles, wherever provided for in the TSUS, from the Federal Republic of Germany that are allegedly sold or likely to be sold at less than fair value (LTFV).

Background

On November 6, 1980, a petition was filed with the U.S. International Trade Commission and the Department of Commerce on behalf of the Logan Division of De Lorean Manufacturing Co. alleging that snow-grooming vehicles imported from the Federal Republic of Germany are being, or are likely to be, sold in the United States at less than fair value. Accordingly, the Commission instituted a preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a) to determine whether 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 the importation of certain snow-grooming vehicles, provided for in items 692.16 or 692.35 of the TSUS and parts thereof and accessories therefor chiefly used on such vehicles, wherever provided for in the TSUS, that are allegedly being sold or likely to be sold at less than fair value. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case, by December 22, 1980.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of November 20, 1980 (45 F.R. 76811). A public conference was held in Washington, D.C. on December 4, 1980.

In arriving at its determination, the Commission has given due consideration to the information provided by the Department of Commerce, to all written submissions from interested parties, and to information adduced at the conference and obtained by the Commission's staff from questionnaires, documented personal interviews, and other sources, all of which have been placed on the administrative record of this preliminary investigation.

On November 26, 1980, the Department of Commerce issued a notice announcing that it had found the petition to be properly filed within the meaning of its rules and that it was instituting an investigation. Notice to such effect was published in the Federal Register of December 5, 1980 (45 F.R. 80565). The product scope of the Commerce investigation is the same as that instituted by the Commission.

VIEWS OF CHAIRMAN BILL ALBERGER, VICE CHAIRMAN MICHAEL CALHOUN AND COMMISSIONERS GEORGE M. MOORE AND CATHERINE BEDELL

Determination

On the basis of the record developed in investigation, No. 731-TA-36 (preliminary), we determine, pursuant to section 733(a) of the Tariff Act of 1930, that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury , 1/ by reason of imports from West Germany of snow grooming vehicles, parts thereof and accessories therefor, chiefly used on such vehicles, allegedly sold or likely to be sold in the United States at less than fair value. 2/

Discussion

Domestic Industry

Section 771(4) of the Tariff Act of 1930 (19 U.S.C. 1677(4)) defines the domestic industry as the U.S. producers of a "like product," which is defined in section 771(10) as a product "like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." The imported article under investigation is the Kassbohrer PB 170D, a snow grooming vehicle in the "super" class, which is specifically designed for optimum use on large and steep inclines of the kind found at ski resorts.

In this investigation, we determine that the domestic industry consists of the U.S. producers of ski area snow grooming vehicles. These vehicles, sometimes referred to as "super" snow grooming vehicles, are designed to groom ski slopes at large ski areas with a large vertical drop. For that reason,

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1/ Since there are three domestic producers of the imported article subject to investigation, the material retardation of the establishment of an industry in the United States is not an issue in this investigation.

2/ The vehicles are provided for in items 692.16 or 692.35 of the Tariff Schedules of the United States (TSUS). The parts and accessories are provided for in various sections of the TSUS.

the vehicles have engines with greater than 150 horsepower and can operate on steep slopes at high altitudes carrying payloads of 3,000 pounds or more. 1/

There are three U.S. producers of super snow-grooming vehicles. They are the Logan Division of De Lorean Manufacturing Co. (DMC), the Tucker Sno-Cat Corporation and the Miller W. Corporation. For purposes of this determination, we do not consider Valley Engineering, Inc. to be a part of the domestic industry.

Our definition of the "domestic industry" does not include over snow vehicles of the type commonly described as transport or utility vehicles. While the information available indicates that transport vehicles can groom smaller ski slopes, we find that the vehicles can be differentiated in terms of their characteristics and uses. Super snow grooming vehicles are specifically designed for use at large ski areas, where high altitudes and steep slopes make grooming difficult. As a result, the vehicles have engines with greater than 150 horsepower and a two-person cab, and incorporate special light weight components. In contrast, transport vehicles are designed for transporting people or equipment over snow covered areas, and have smaller engines and a large cab. While a transport vehicle can be used to groom the smaller ski slopes found in the Midwest, it is not intended to groom steep ski slopes at high altitudes and cannot do so effectively.

These differences are readily apparent when one examines the markets for the two vehicles. Super snow grooming vehicles are generally purchased by large ski resorts on the East Coast or in the Rocky Mountain and Pacific Coast regions. Transport vehicles are generally sold to utility companies for use in servicing power lines or microwave stations, or to smaller Midwestern ski

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1/ See report to the Commission on Investigation No. 731-TA-36 (Preliminary) at p. A-2, hereafter the report is referred to as the staff report.

areas. The information available indicates that a potential buyer would not regard the two vehicles as equivalents.

We further determine that the domestic industry does not consist of the producers of snow grooming vehicle parts. The Commission's analysis in this investigation has focused on the snow-grooming vehicles themselves and not the parts thereof. This analysis gives the petitioner the best possible case. Respondent, Valley Engineering, Inc., imports the PB 170D in the form of a kit containing most of the parts for one vehicle. In view of the above considerations, we find that the like product of the kits is the domestically produced "super" snow-grooming vehicle.

Material injury by reason of LTFV imports

In making our determination of no reasonable indication of material injury, we considered, among other factors: (1) the volume of imports, (2) the effect of imports on prices of like products produced in the United States, and (3) the impact of imports on the domestic industry. We base our decision on the findings of fact and conclusions of law discussed below.

a. Volume of LTFV imports:

Imports of the allegedly LTFV Kassbohrer vehicles were relatively stable from 1977-79, and accounted for less than 10 percent of apparent U.S. consumption. In January-September, 1980, Kassbohrer imports increased significantly and the import penetration ratio grew to more than 20 percent. However, we cannot accept petitioner's contention that this most recent increase represents a significant change in the status quo. Since the imports are in kits, they must enter the United States before September if they are to be assembled and delivered during the peak sales months of October, November and December. In contrast, U.S. producers sell a disproportionately large

number of their vehicles during the

October-December period. Thus, the market share captured by imports during January-September, 1980, is significantly overstated, and will fall sharply in October-December as domestic producers enter their peak selling period. 1/ This has occurred in each of the previous three years.

b. Impact on Prices:

Under the antidumping laws LTFV sales do not create a presumption of injury. Such sales are condemned only when they adversely affect domestic producers. The antidumping laws were not intended to--

> proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price. Such so-called "technical dumping" is not anti-competitive, hence, not unfair; it is procompetitive in effect. 2/

We find no evidence in the record before us that the imports in question are priced at less than a competitive level, so as to materially injure domestic competition. The information available indicates that the prices of imported vehicles have been consistently higher than those of domestic vehicles. 3/ During 1980, the difference between the price of De Lorean's Model No. 3700 and Kassbohrer's PB 170D increased. 4/ The absence of any indication of underselling strongly suggests that there is no basis for concluding that the imports have adversely affected the prices of domestically produced vehicles.

1/ Staff Rept., p. A23.

2/ See Sen. Rept. No. 93-1298, p. 179. While this statement concerns the Antidumping Act, 1921, Congress has indicated that the new "material injury" test set forth in the Trade Agreements Act of 1979 is consistent with the injury criteria developed under the Antidumping Act. Sen. Rept. 96-249, p. 87.

3/ Staff Rept., p. A-25. Both Tucker and Miller refused to supply price data.

4/ Ibid.

Petitioner has argued that while consumers are willing to pay more for the PB 170D because of perceived differences in quality and styling, the prices of the German vehicles are not as high as they should be 1/, and have forced the petitioner to suppress its own prices in order to remain competitive. However, the information available does not support petitioner's contention of price suppression. The price of DMC's Model 3700 increased from January 1977 through September 1980, at a faster rate than consumer prices or producer prices for all transportation equipment over the same period. 2/ In January-September 1980, when the alleged LTFV sales occurred, petitioner's prices rose significantly.

There is, moreover, no indication that Kassbohrer's PB-170D is underpriced. None of the purchasers of Kassbohrer machines contacted by the Commission cited price as a primary consideration in their decision to purchase the West German machine. 3/ Most spoke of perceived differences in quality, service or reliability. There is no evidence that consumers regard the Kassbohrer vehicle as a bargain at its higher price. Furthermore, the price differential between the De Lorean and Kassbohrer vehicles is increasing.

c. Impact on Domestic Industry

While there were some difficulties experienced by the domestic ski area snow-grooming vehicle industry in 1979 and 1980, they are readily explained by a variety of other factors. The 1979 ski season was an extremely poor one. The lack of snow in November and December deprived Eastern and Midwestern ski area operators of a substantial portion of their revenues. As a result, many found themselves in tight financial circumstances

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1/ Transcript, p. 34 (12/4/80)
2/ Staff Rept., p. A-28.
3/ Id. at pp. A-28-29.

and chose to postpone or forego purchases of snow grooming equipment. 1/ Thus, total consumption declined sharply in 1979. In fact it fell by more than a quarter. The recession in early 1980 further discouraged investment in equipment. These problems were compounded by the fact that the super snow-grooming vehicle is a relatively recent creation, and a substantial replacement market has yet to develop. 2/

Although DMC's net profit dropped drastically in 1980, the cause of the drop appears to be a sharp rise in selling and administrative expenses 3/, and not LTFV imports. When Thiokol sold the Logan Division to DMC in July 1979, the Logan Division assumed various selling and administrative expenses previously borne by Thiokol. These new expenses account for the increase in selling and administrative costs and the drop in profitability.

The data available to the Commission shows a decline during 1980 in production of super snow grooming vehicles, in capacity to produce such vehicles and in the number of workers employed in producing the vehicles. We find, however, no causal connection between the decline and LTFV imports. Plants in which super snow-grooming vehicles are produced are also used to produce other types of over snow-vehicles. 4/ The vehicles are produced in different production runs. If one examines the production data available, it becomes apparent that DMC's overall production of over-snow vehicles has increased. This was accomplished by shortening the production run for super

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1/ Staff Rept. p. A-8.
2/ Ibid.
3/ Id. at. A-22-23. While petitioner's cost of goods sold showed an increasing trend in 1980, it was neither marked nor stable. As the volume of production decreased, DMC's cost of goods sold increased.
4/ Staff Rept., p. A-21-22.

snow grooming vehicles, and lengthening the run for other types of over-snow vehicles. 1/

It is significant that sales of transport vehicles in January-September 1980 are up sharply in relation to the corresponding period in 1979. 2/ The declines in production, capacity and employment do not mean that DMC experienced an increase in idle time, but that more time was devoted to producing transport vehicles. 3/ We also note that as a result of poor demand during 1979, DMC had a large year end inventory as of December 31, 1979, which was available for sale in 1980. 4/

In our view, the drop in DMC's production of super snow grooming vehicles in 1980 is completely out of proportion to Valley's increased imports of Kassbohrer vehicles. This disparity further weakens any inference that the two are related. We conclude that the decline in production and shipments of super snow- grooming vehicles is the result of the poor season experienced by Eastern and Midwestern ski area operators during 1979, and the other factors described above.

While overall sales by domestic producers decreased in 1980, much of the decline is the result of a decline in the export market 5/, although the industry has been and remains a net exporter of snow-grooming vehicles.

In analyzing domestic sales of Kassbohrer vehicles, the Commission staff found no examples of sales lost as a result of underselling. Almost every

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1/ Staff Rept., p. A-14.
2/ Id. at A-16.
3/ While a slight decline in employment occurred, we note productivity increased markedly.
4/ Staff Rept., p. A-19.
5/ Significant quantities of U.S. production are exported to Western Europe. See staff report at p. A-18.

purchaser contacted paid a higher price for the Kassbohrer vehicle. In the remaining sales, the purchasers cited DMC's refusal to demonstrate its product or a belief that the imported vehicle was markedly superior. 1/ The purchasers of Kassbohrer vehicles generally cited perceived differences in quality, service, reliability or operating cost as their primary considerations. None gave price as a critical consideration. In the absence of underselling or price suppression, we find no indication that Kassbohrer vehicles have any anticompetitive advantage over like domestic products. We conclude that the margin of LTFV sales, if any, is "technical dumping" not proscribed by the statute, and that any decline in the industry's position must be the result of other causes.

d. Threat of Material Injury

A finding of threat of material injury "must be based on information showing that the threat is real and injury is imminent, not a mere supposition or conjecture."

There is no indication that imports of Kassbohrer's super snow-grooming vehicles will increase sharply in the imminent future. At the present time, Valley's orders for 1981 are small and are consistent with import levels over the 1977-79 period. Valley has no standing inventory and could not make an immediate delivery to a potential purchaser. The long lead time for obtaining engines and various other parts, coupled with a strong demand for the vehicles in Europe and limited production facilities, should prevent any significant increases in imports from West Germany.

1/ Staff Rept. p. A-29.
2/ Staff Rept., p. A-24.

Conclusion

We conclude on the basis of the information available, that there is no reasonable indication that the domestic super snow-grooming industry has suffered material injury or is threatened with material injury by reason of alleged LTFV imports from West Germany. The information available to us indicates that the Kassbohrer vehicles imported during 1980 by Valley Engineering, Inc., were sold for higher prices than like domestically produced vehicles. We perceive no indication that the imports from Germany have suppressed prices or adversely affected the domestic industry. While there is some basis for concluding that the domestic industry has experienced difficulties in 1980, the causes of its problems are clearly not related to the alleged LTFV imports.

VIEWS OF COMMISSIONER PAULA STERN

This preliminary case was marked by novel issues regarding the definition of the domestic industry, a hazy picture of the health of the relevant U.S. industry, but a very clear lack of causal linkage between the subject imports and any problems in the domestic industry. I discuss each of these subjects in turn, concluding with references to statutory framework.

I. The Domestic Industry and the Imported Products

In this investigation, I have determined that the domestic industry consists of U.S. producers of ski area snow grooming vehicles. These vehicles, sometimes referred to as "super" snow grooming vehicles, are designed to groom ski slopes at large ski areas with high vertical drops. For tnat reason, the vehicles have engines with greater than 150 horsepower and can operate on steep slopes at high altitudes carrying payloads of 3,000 pounds or more.

There are three U.S. producers of super snow grooming vehicles. They are the Logan Division of DeLorean Manufacturing Co. (DMC), the Tucker Sno-Cat Corporation (Tucker), and the Miller W. Corporation (Miller).

I fully join the views of my colleagues on the appropriate bounderies and definition of the domestic industry and will not repeat the logic here. The Commission has unanimously found that:

(1) The definition of the domestic industry does not include over snow vehicles of the type commonly described as transport vehicles.

(2) For the purposes of this determination, Valley Engineering, Inc. (Valley) is not to be considered part of the domestic industry. Valley is the

importer of the allegedly dumped merchandise and is a wholly-owned subsidiary of Karl Kassbohrer Fahrzcugwerke, GmbH (Kassbohrer). The imported article under investigation is the Kassbohrer PB 170D, a snow grooming vehicle in the "super" class. 1/

(3) The domestic industry does not consist of the producers of snow grooming vehicle parts.

II. Causation

This case fails because there is no demonstrable connection linking the alleged LTFV imports to any negative aspect of the domestic industry's performance. Thus, there is no reasonable indication of material injury by reason of the alleged less-than-fair-value (LTFV) imports.

The volume of imports of super snow grooming vehicles from West Germany was stable from 1977 to 1979. During the January-September 1980 period, it doubled compared to the figure for the same period of 1979. In 1977, the 7 vehicles imported from Germany supplied a slightly greater percentage of apparent U.S. consumption than did the same number of German vehicles imported in 1979. In the first three quarters of 1980, 14 vehicles were imported with the resulting import penetration nearly doubling the percentage recorded during the similar period a year earlier. Virtually all imports are entered into the United States prior to September so that they will be ready for

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1/ The Commission has not had an opportunity to verify Valley's claim that 50% of the value of a PB170D is added in the United States. Furthermore, under Section 771(4)(B) of the Tariff Act of 1930, the Commission has discretion to exclude a domestic producer, which is also an importer or which is related to an exporter, when "appropriate circumstances" exist. 19 U.S.C. 1677(4)(b). Under the circumstances, it would be counterproductive to include Valley in the domestic industry, since its inclusion would decrease the impact of the alleged dumping on the domestic industry.

delivery during the peak sales months of October, November and December. By contrast, domestic producers made over 40 percent of their 1979 sales during the last three months of the year. Thus, import penetration figures for January-September significantly overstate the penetration likely to be achieved for the full year. 1/ Kassbohrer's increased market share has apparently come at the expense of another foreign producer. 2/

Examination of data on lost sales has not established any credible link between the success of the German imports and the LTFV margins from which they have allegedly benefitted. For 1980 the Commission staff contacted the potential customers involved in 21 of the 22 sales alleged to have been lost by the petitioner in 1979 and 1980. One did not purchase an import, and four purchased used vehicles. In four instances, the petitioner's product could not be given serious consideration because DMC refused to demonstrate it or because the import was markedly superior. In the remaining twelve cases, import sales were made at prices higher than those offered by the petitioner; tne German product was perceived to have better quality and/or servicing arrangements.

There is no indication whatsoever that the imports in question caused injury by price suppression or depression. Quite to the contrary, the actual

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1/ For example, subject import penetration for all of 1979 was less than half that for the first three quarters of the year.

2/ Bombardier Limited of Canada and Kassbohrer of West Germany are the only foreign producers known to hve exported ski area snow grooming vehicles to the United States during the period under investigation. In the past, Bombardier exported a significant nnumber of vehicles to the United States. It has accounted for less than 20 percent of apparent U.S. consumption. But in recent years, imports of Bombardier vehicles have dropped, and its share of the U.S. market has declined sharply. If previous patterns hold, the market share of all imports will be significantly lower in 1980 than in 1977 due to the sharp decline is Canadian imports.

selling prices of the petitioner's super snow groomers increased slightly more than prices of the imported product (from January 1978 to September 1980, the period over which the Commission has obtained comprable data). 1/ The average price of the top-of-the-line DMC snow groomers grew between January 1977 and September 1980 slightly faster than the consumer price index and significantly more repaidly than producer prices for all transportation equipment. 2/

Moreover, there is no indication that the imports have been underselling the domestic products. Prices of the imported vehicles exceed the prices of the domestic products in each quarter that transactions are reported for both. In fact, comparisons of the average prices paid for DMC 3700 and the Kassbohrer super snow groomer show that the premium paid for the import has steadily grown from 1978 to the first three quarters of 1980.

Price comparisons are complicated by many differences in optional equipment, general quality, and servicing networks. When adjustments are made for differences in optional equipment, the relative prices of domestic and imported equipment do not seem to be affected significantly. 3/ Adjustments for differences in quality and service would be highly subjective and have not been attempted. Some differences do seem justified. By all accounts, including the petitioners' own statements, 4/ the imported product seems to have a significant quality advantage which is no longer diminished by its

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1/ Report At A-25.
2/ Report at A-28.
3/ Report at Table 12 and A-28.
4/ Conference Transcript at 34.

earlier lack of an effective domestic service network. Cost and reliability of operation outshine purchase price as the most significant factors in the choice of snow groomers. In sum, alleged LTFV margins have apparently played no role in creating the existing quality differences or in suppressing domestic prices.

III. Condition of the Domestic Industry

Despite analysis of all relevant economic indicators, the health of the domestic industry remains unclear. In any event, those economic factors which may point to injury do not indicate that the alleged LTFV imports have caused injury to the domestic industry.

U.S. production of super snow grooming vehicles increased rapidly from 1977 to 1978 and then declined slightly in 1979. 1/ The figure for January-September 1980 is, however, 45 percent below that for the same period of 1979.

Domestic capacity increased 3 percent from 1977 to 1978, and fell by 8 percent in 1979. In the first nine months of 1980, it dropped 23 percent relative to that for the corresponding period one year earlier.

Capacity utilization in the production of super snow grooming vehicles increased from 1977 to 1979 before declining in January-September 1980. However, productive capacity and capacity utilization are not reliable indicators in this industry. Production is effectively limited by the number of parts and components ordered by the company, often early in the season.

1/ Production figures are significantly understated due to the lack of information on one producer which accounts for a more than negligible share of the U.S. market. See Report at A-14.

Further, all equipment and personnel are used interchangeably in the manufacture of all products made in each plant. Thus, it is important to note that the decline in domestic capacity to produce super snow groomers during January-September 1980 (over the same period of 1979) was accompanied by a greater increase in the domestic capacity to produce all other snow grooming vehicles. The petitioner accounted for almost all this growth.

U.S. producers' sales of super snow groomers doubled from 1977 to 1978 before declining in 1979. Another decline was posted for January-September 1980 relative to sales for the corresponding period in 1979. There are no reasonable indications that the recent decline in sales and production of super snow groomers has been related to the alleged LTFV imports. Rather, as a result of poor snow during the 1979 ski season, many Eastern and Mid-Western ski area operators experienced financial difficulties and postponed purchases of equipment. 1/

Exports are significant and growing in importance for the U.S. industry. Accounting for nearly half of the sales of super snow groomers in 1977, exports in January-September 1980 represented two-thirds of U.S. producers' sales. The absolute quantities grew sharply from 1977 to 1979, but posted a significant decline in January-September 1980 from the like period in 1979.

Inventories held by U.S. producers grew steadily both in terms of quantity and as a ratio of total sales from 1977 to 1979, but declined in 1980. Inventory/sales ratios declined from January-September 1979 to the corresponding period of 1980. Although both these ratios appear unusually

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1/ Report at A-8ff.

high, it should be remembered that most of these vehicles are delivered during the last quarter. The Commission lacks an adequate reference level to determine the true significance of present inventory levels in this industry.

Employment data are sketchy--Miller provided no data for 1980 and no data at all were available for Tucker. Moreover, because labor moves freely between all operations, data had to be collected for the production of all snow groomers. Reported employment of production and related workers in facilities producing all snow grooming vehicles grew from 1977 to 1979, but then declined in January-September 1980. Labor time has been shifted from super snow groomers to other types of production in 1980. Wages paid and man-hours worked generally followed the pattern of overall employment.

Information on financial performance was submitted by only one U.S. producer--DMC, the most significant member of the domestic industry -- with a market share in excess of 50 percent. Sales of super snow grooming vehicles accounted for about two-thirds of DMC's total vehicle sales during 1977-1979. Although DMC provided separate data on super snow grooming operations, these data were the result of allocations on the basis of net sales of the various vehicles. Such information is inadequate for a Commission injury determination. The best available information was on DMC's experience in all products produced by the Logan Division, and therefore includes information on smaller over-snow vehicles as well as snow grooming implements. 1/ The ratio

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1/ Although only aggregated data on employment and financial performance were available, a determination on a narrow product line basis (as requested by the petitioner) was possible because of the distinct demand for super snow groomers and the availability of other information on this product line.

of net operating profit to net sales grew from 1977 to 1978 before declining markedly in 1979. For January-September 1980, the ratio was sharply lower compared to the same period in 1979. The changes in profitability do not appear to be related in any manner to alleged LTFV imports. Sales and gross profit margins have grown rapidly. Primarily because of rapidly increasing general, administrative, and selling expenses, net profits have shrunk rapidly from their 1978 peak. A possible explanation of this phenomenon is that accounting techniques for these various expenses changed considerably when the Logan operations were acquired by DMC in July 1979.

Although continuing on to a final investigation could possibly clarify the industry's health particularly with respect to employment, inventories, and financial performance, the absence of any reasonable causal link between the imports and the industry's problems mandates a negative determination at tne preliminary stage.

IV. Threat of Material Injury

A finding of threat of material injury "must be based on information showing that the threat is real and injury is imminent, not a mere supposition or conjecture." 1/

There is no indication that imports of Kassbohrer's super snow grooming vehicles will increase rapidly in the imminent future. At the present time, Valley's orders for 1981 are small and are consistent with import levels over the 1977-79 period. It has no standing inventory and could not make an immediate delivery to a potential purchaser. The long lead time for obtaining

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1/ S. Rept. No. 96-249, 96th Cong., 2d Sess. (1979) at 88-89.

engines and various other parts should prevent any large increases in the U.S. sales of the West German product.

V. Conclusion

Section 733 of the Tariff Act of 1930 1/ establishes the standards for preliminary determinations by the ITC during an antidumping investigation. The Commission is mandated to determine, "based on the best information available to it at the time . . ." that there is a "reasonable indication" of material injury or threatened material injury to a domestic industry by reason of imports of the subject merchandise. The statute does not elaborate on the "reasonable indication" requirement. However, the Senate Finance Committee has noted that the standard "is to be applied in essentially the same manner" as the predecessor standard of the Antidumping Act of 1921. 2/

In preliminary investigations, the Commission searches for a reasonable indication of injury by reason of the subject LTFV imports. When there was no reasonable indication that the imports are tied to material injury to the domestic industry, a negative determination resulted. In the present case, neither the petitioner nor the Commission's own efforts have been able to establish a reasonable indication of material injury or threatened material injury by reason of the alleged LTFV imports from West Germany.

1/ 19 U.S.C. 1671b..

2/ See Section 201(c)(2) of the Antidumping Act, 1921. Also, S. Rept. 96-249, 96th Cong., 2d Sess. (1979) at 66.

Introduction

On November 6, 1980, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of the Logan Division of DeLorean Manufacturing Co. (DMC). The petition alleges that snow-grooming vehicles imported from the Federal Republic of Germany (West Germany) are being, or are likely to be, sold in the United States at less than fair value (LTFV). Accordingly, on November 17, 1980, the Commission instituted preliminary antidumping investigation No. 731-TA-36 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 167b(a)). The purpose of this investigation is to determine whether 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 the importation from West Germany of snow-grooming vehicles provided for in items 692.16 or 692.35 of the Tariff Schedules of the United States (TSUS) and parts thereof and accessories therefor chiefly used on such vehicles, wherever provided for in the TSUS. For the purpose of this investigation, the term "snow-grooming vehicles, parts thereof and accessories therefor" means track-laying vehicles having a tilting cab that are specially designed for grooming snow. These imports are allegedly being, or are likely to be, sold at less than fair value.

The statute directs that the Commission make its determination within 45 days of receipt of the petition, or in this case, by December 22, 1980. Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of November 20, 1980 (45 F.R. 76811). 1/ A public conference was held in Washington, D.C., on December 4, 1980, at which all interested parties were afforded the opportunity to present information and data for consideration by the Commission.

The Product

Description and uses

A snow-grooming vehicle is a self-propelled vehicle which is designed to operate attachments that prepare or condition natural or manmade snow in snow-covered areas, such as on ski slopes or snowmobile trails. These vehicles are also used as utility vehicles to transport people, equipment, and supplies or even to trim trees and maintain paths in the spring and summer when there is no snow on the ground. While these vehicles vary markedly from product to product, there are similarities in their sizes, uses, equipment, design, and construction.

Snow-grooming vehicles are a type of over-snow vehicle. The problem in definitively differentiating the snow-grooming vehicle from an over-snow vehicle is that an over-snow vehicle can be converted into a snow-grooming vehicle by simply attaching the appropriate equipment or implements to it. The March 1980 edition of Ski Area Management divides over-snow vehicles (potentially snow-grooming vehicles) into four basic groups--compact, intermediate, standard, and super. These groups are differentiated by the size, horsepower, payload, maneuverability, and price of the vehicles.

The improved snow-grooming vehicles alleged to be sold at LTFV are all of the class categorized by Ski Area Management as "super" snow-grooming vehicles. Super snow-grooming vehicles, as defined by the magazine, have engines with greater than 150 horsepower which are generally turbo-charged so that they can operate at high altitudes, carrying payloads of 3,000 pounds or more. They also have tilting cabs and are priced at more than $38,000, excluding accessories and optional equipment.

These vehicles are designed to use a variety of attachments for steep uphill, downhill, and sidehill grooming on ski slopes of up to 60 degrees. Some of the most common attachments are a blade which is attached to the front of the vehicle to push and level the snow, a compactor bar which is pulled behind the groomer to compact the snow, and a powder maker which is pulled behind the groomer to chop the surface ice into a powder consistency. The super snow-grooming vehicle must, therefore, be highly mobile with sufficient power to climb the slopes and manipulate the attachments at higher altitudes. It must also maintain very low ground pressure, usually less than 0.75 pound per square inch, so that the vehicles will disturb the snow cover as little as possible. The smaller over-snow vehicles can also be used to groom ski

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1/ On Nov. 26, 1980, the Department of Commerce issued a notice announcing that it had found the petition to be properly filed within the meaning of its rules and that it was instituting the appropriate investigation. Notice to such effect was published in the Federal Register of Dec. 5, 1980 (45 F.R. 80565). The scope of the Commerce investigation is the same as that of the Commission's investigation. A copy of the Commission's notice of investigation and conference is presented in app. A. The Department of Commerce's notice of initiation of its antidumping investigation is presented in app B.

slopes, but they cannot perform the grooming operations demanded on large, steep, heavily trafficked ski slopes, especially those at high altitudes.

For the most part, new super snow-grooming vehicles are sold to midsize and large ski areas which require the vehicles to maintain their slopes in a ski-ready condition. The smaller ski areas generally purchase used or rebuilt vehicles. The amount of work required of the vehicle depends on the types of slopes, the snow conditions, the traffic on the slopes, and the clientele using the slopes. Ice, hard-packed mounds of snow (moguls), and even light powder can be dangerous or unpleasant for inexperienced skiers. Thus, in their effort to keep slopes in peak condition for all skiers, large resorts may run their grooming vehicles up to 20 hours a day.

The useable life of these vehicles depends on the amount of use and the type of work done. However, most larger ski areas will replace their equipment every 3 to 5 years, or after 5,000 to 8,000 hours of use.

The larger over-snow vehicles used for grooming downhill ski areas are generally offered for sale as standard vehicles equipped with optional accessories. The standard equipment varies from producer to producer. However, it generally includes everything except the tracks (the appropriate track width depends on the type of slopes the vehicle will be working on and the type of work it will perform) needed to make the vehicle driveable, but no extras. The standard equipment typically includes items such as the engine, transmission, differential, brakes, tires, batteries, windshields, and lights. Optional accessories usually include the tracks, a tilting cab, and various snow-grooming or transport attachments, but may also include spare tires or wheels, spot lights, hydraulic lifts, and even tape decks.

Although there are exceptions to each of the following, the super snow-grooming vehicles on the market are actually quite similar in terms of their design and engineering. Most of the vehicles in this category have two sets of tracks with sprockets and wheels for rollers. However, the domestically produced Tucker Sno-Cat has four sets of tracks. Most of these vehicles also have turbocharged, diesel engines. Again, Tucker is the exception in that they also offer a gasoline engine in their vehicles. Most super snow-grooming vehicles have hydrostatic transmissions and controls. These reportedly provide the operator with better control over the vehicle and the vehicle with improved maneuverability. Still, there are two exceptions to this--Tucker, which offers a manual or automatic transmission and automatic steering, and DMC, which offers one model of the larger vehicle with automatic transmission and differential steering. Another characteristic that most of the larger snow-grooming vehicles share is a midengine design, i.e., the engine is mounted behind the cab rather than in front of it. This reportedly improves the balance and fuel efficiency of the vehicle as well as the view the operator has of his work. Tucker provides the option of a front-mounted engine, but DMC vehicles use only the front-mounted design.

Despite the differences in each producers' super snow-grooming vehicles, the production process for these vehicles is quite similar. This process consists of three basic steps--the purchase of components, parts, and pieces for the vehicle, the modification and preparation of these articles, and the

assembly of the vehicle. The largest cost incurred in the production of these vehicles is represented by acquisitions from outside sources. In fact, these purchases account for between 60 and 70 percent of the final cost of production. The purchased components include such high-technology, complex items as the engines, transmissions, steering control systems, and differentials. These items are often difficult to obtain. For example, the lag time between ordering and receiving an engine package or hydrostatic transmission system may be 9 to 12 months. Other parts purchased on the outside include such capital-intensive items as castings, forgings, bearings, sprockets, wheels, steel sheet, rubber belts, and tires. The purchase of these items, particularly the forgings and wheel bearings, may involve a lag time of 12 to 18 months. Other purchases are pieces which are readily available, such as batteries, lights, fixtures, nuts, bolts, clamps, and hoses.

These acquisitions are, for the most part, painted, machined, bent, cut, joined, welded, or in some way modified before they can be assembled. The vehicle is then put together on an assembly line. The process generally requires considerable labor and a variety of machines and equipment. However, the work generally requires only a low skill level, and the equipment is of a general-purpose type which can be used in manufacturing all models of over-snow vehicles produced in the plant. Specific tooling and jigs are used in the manufacture of each model.

It should also be noted that while the general production process for super snow-grooming vehicles is relatively simple, for all producers except Tucker, the long lead times required to obtain certain parts and components necessitates scheduling production a full year before the production begins. Thus, the number of parts and components ordered effectively limits the annual capacity of the plant for producing the vehicles.

U.S. tariff treatment

Snow-grooming vehicles, completely assembled, are dutiable under items 692.16 or 692.35 of the TSUS. 1/ TSUS item 692.16 is designated for motor vehicles, other than fire engines specially constructed and equipped to perform special services or functions, such as, but not limited to, mobile cranes, wreckers, concrete mixers, and mobile clinics. The column 1 (most-favored-nation) rate of duty for this item is 4.8 percent ad valorem. This rate became effective on January 1, 1980, as part of eight staged reductions granted in the recent Tokyo round of Multilateral Trade Negotiations (MTN). The final staged reduction will lower the duty to 3.7 percent ad valorem and becomes effective on January 1, 1987. This lower duty rate is currently applicable to imports from least developed developing countries (LDDC's). Prior to January 1, 1980, the column 1 rate of duty for this item was 5.0 percent ad valorem. This rate was established on January 1, 1972, as a result of concessions granted in the Kennedy round of trade negotiations. The column 2 (statutory) rate for this item is 25 percent ad valorem.

1/ Imports of complete snow-grooming vehicles have been classified under either item 692.16 or item 692.35 at different times during the period under consideration.

TSUS item 692.35 is designated for tractors (except tractors included in item 692.40 and except automobile truck tractors) other than those suitable for agricultural use, whether or not equipped with power take-offs, winches, or pulleys, and parts of such tractors. The column 1 rate of duty for item 692.35 is 5.1 percent ad valorem. This rate became effective on January 1, 1980, as the first of eight staged reductions granted in the recent Tokyo round of trade negotiations. The final staged reduction becomes effective on January 1, 1987, and will reduce the duty to 2.2 percent ad valorem. This rate is currently applicable to imports from LDDC's. Prior to January 1, 1980, the column 1 rate of duty for item 692.35 as established in the final stage of the Kennedy round of trade negotiations (effective Jan. 1, 1972) was 5.5 percent ad valorem. The column 2 rate of duty is 27.5 percent ad valorem.

Imports of parts of snow-grooming vehicles are classified under various TSUS items. Table 1 lists those parts and the duties associated with their importation.

Nature and Extent of Alleged Sales at Less Than Fair Value

The allegations in the petition concern the sales of only one manufacturer of snow-grooming vehicles in West Germany--Karl Kassbohrer Fahrzeugwerke, GmbH. The petition asserts that in 1980, all prices for Kassbohrers' hydrostatically driven vehicle, the PB-170D, as charged by its wholly owned subsidiary, Valley Engineering, Inc., of Gray, Maine, have been at less than fair value.

The prices compared by the petitioner have been adjusted to reflect the 1980 price of a completely assembled vehicle, the PB-170D, equipped with a grooming blade, compactor bar, and the appropriate mounting equipment. Prices quoted in the United States for the Kassbohrer vehicle have also been adjusted to account for costs of shipping and importing the vehicle into the United States. This adjusted U.S. price was compared with a single recent price estimate in West Germany, an early 1980 list price for France, and a recent price quotation made in Austria. These comparisons resulted in the alleged dumping margins of 23 to 62 percent.

It should, however, be noted that there are significant differences in the PB-170D's sold in Europe and those sold in the United States. In 1980, nearly all the PB-170D's imported into the United States were unassembled and incomplete. 1/ Valley Engineering completed and assembled the vehicles incorporating various design modifications and U.S.-made parts into the vehicles.

1/ According to statements made at the public conference, Valley imported three completely assembled snow-grooming vehicles early in 1980. These vehicles were imported for the purpose of determining how best to begin assembly operations in the United States. The vehicles were broken down, analyzed, and reassembled. All other imports in 1980 have been of unassembled, incomplete units.

Table 1.--Snow-grooming vehicles: TSUS items and rates of duty for parts and components imported by Valley Engineering during January-October 1980

TSUS item No.	Product	Rate of duty under Tokyo round of trade negotiations		Rate of duty under final stage of Kennedy round Jan. 1, 1972)
		Current	Final (Jan. 1, 1987)	
358.02	V-belts of rubber or plastic with textile fiber	7.6% ad val.	5.1% ad val.	8.0% ad val.
610.80	Pipe and tube fittings of iron or steel	11.0% ad val.	6.2% ad val.	11.0% ad val.
646.56 1/	Nuts of iron and steel	0.2% ad val.	0.2% AVE 2/	0.1¢ per lb.
660.42	Compression-ignition engine	4.8% ad val.	3.7% ad val.	5.0% ad val.
660.71	Parts for internal-combustion engine, piston-type	4.8% ad val.	3.7% ad val.	5.0% ad val.
660.85	Hydraulic motors	4.4% ad val.	3.4% ad val.	4.5% ad val.
660.97	Hydraulic fluid power pump	4.8% ad val.	3.0% ad val.	5.0% ad val.
680.35 1/	Radial ball bearings	11.0% AVE 2/	11.0% AVE 2/	1.7¢ per lb. + 7.5% ad val.
680.49	Gears	4.3% ad val.	2.5% ad val.	4.5% ad val.
684.40	Electrical heater	4.8% ad val.	3.7% ad val.	5.0% ad val.
685.90	Electrical switches (rotary)	8.1% ad val.	5.3% ad val.	8.5% ad val.
692.32	Chassis and body parts	3.9% ad val.	3.1% ad val.	4.0% ad val.
692.35	Chassis and cabs for track-laying tractors	5.1% ad val.	2.2% ad val.	2.2% ad val.
772.51 1/	Tires	4.0% ad val.	4.0% ad val.	4.0% ad val.
772.65	Hose, pipes, and tubing of rubber	3.9% ad val.	3.1% ad val.	4.0% ad val.
773.25	Gaskets of rubber or plaster	4.8% ad val.	3.5% ad val.	5.0% ad val.

1/ No concessions provided under the recent Tokyo round of trade negotiations.
2/ Ad valorem equivalent.

Source: Compiled from Custom's documents provided by Valley Engineering, Inc., and from data provided by Custom's officials.

U.S. Market and Apparent Consumption

The development of a U.S. market for super snow-grooming vehicles is a recent phenomenon. Although the advent of downhill skiing as an American sport began in 1932 with the Winter Olympics at Lake Placid, the sport did not become popular in this country until after the 1960 Winter Olymics were held in Squaw Valley, Calif. Since 1960, skiing has blossomed into big business. The number of skiers in the United States has grown to an estimated 16 million and is expected to continue to increase by 10 percent annually in the coming years.

Unfortunately for these skiers, the growth in the development of ski resorts has stagnated. The amount of suitable land available for developing ski resorts is limited. However, the growing concern and involvement of environmental groups has also significantly impeded the acquisition and development of this land. The result is that there is a steadily increasing density of skiers on the slopes. Ski area owners, many of which are large corporations, have also made large investments in their resorts and are becoming increasingly competitive in their efforts to attract customers. At one time, ski resorts felt little or no need to groom their snow. Skiers seemed content to ski on whatever snow was available on the slopes. However, it was later demonstrated that by dragging various pieces of equipment over the snow, the condition of the slopes could be improved and that the improved slopes attracted more skiers and more revenues. This discovery led to the development of a working relationship between owners and operators of ski areas and producers of over-snow vehicles. At the suggestion and encouragement of the ski area owners, the producers developed an over-snow vehicle which suited the grooming needs of the ski resorts. The producers, in turn, obtained a rapidly increasing market for their products. The importance of this relationship between the users and the producers of snow-grooming vehicles is evidenced by the common industry practice of loaning prototypes of new vehicle models to ski areas for a thorough evaluation under actual operating conditions before the model is put into full production. The interaction of these two groups led to the development of the so-called super snow-grooming vehicle in the mid-1970's.

The initial investment in snow-grooming vehicles by the ski areas is warranted by the increased income earned by keeping the slopes in peak skiing condition. Therefore, the ski areas cannot afford to purchase a vehicle that will be difficult to service or maintain. This implies that there must be both a serviceman and spare parts readily available. Products which have frequent breakdowns and/or lack a dealer/service network to support the ski areas have little appeal. Thus, although Kassbohrer imported the first super snow-grooming vehicle, it was not until a domestically produced vehicle appeared on the market in 1976 that the market for these larger, more expensive vehicles really expanded.

The market for these vehicles consists of the midsize and large ski areas located throughout the United States. Demand for the vehicles is relatively price inelastic and independant of the business cycle. The size and charateristics of a ski area dictate the quantity and size of the groomers

required to keep the slopes in good shape. As a general rule, one grooming vehicle is required for every 100 acres of ski area. Once it is determined that a vehicle is needed, the purchasing decision depends primarily on the success of the previous year's ski season. If the resort has enjoyed a good season, it will have the cash on hand to place an order for a new vehicle and is in a better position to acquire the capital necessary to make the purchase. The producers and dealers generally do not provide financial assistance. The resorts are dependent on financial institutions such as banks and leasing companies to obtain the capital.

In selecting which vehicle will be purchased, the primary considerations are the reliability, serviceability, versatility, and operating cost of the vehicle. Operating costs are a particularly important consideration. Depending on the vehicle, operating costs may vary from $40 to $75 per hour. Typical super snow-grooming vehicles log 800 to 1,500 hours of operation each ski season. Thus, the annual operating cost of the vehicle may vary from $32,000 to $112,000. One element of the operating cost, the fuel consumption of the vehicle, may vary from 2 to 6 gallons per hour, which translates into a cost for diesel fuel that may vary from $2,000 to $10,000 per year. Therefore, the operating cost of a particular vehicle may be more important than the actual price as a consideration in determining which vehicle will be purchased.

Since the introduction of the super snow-grooming vehicle, the market has expanded tremendously. Apparent U.S. consumption increased from virtually nothing in 1975 to *** vehicles in 1977 (table 2). Demand for the vehicles continued to grow, and apparent consumption increased to *** vehicles in 1978, or by 69 percent compared with consumption in the previous year. However, the market declined in 1979, as ski resorts acquired the optimal number of vehicles. The useable life of the vehicles sold earlier had also not yet expired, and thus, a replacement market had not yet been generated. Moreover, the energy crunch of 1978 resulted in a significant increase in the operating cost of the vehicles. Apparent consumption of super snow-grooming vehicles declined in 1979 to *** units, or by 27 percent. According to industry sources, apparent consumption in 1980 has been negatively impacted by the lack of snow in the East and Midwest in 1979. The 1979 ski season in the Northeast and Midwest was, in fact, one of the worst in the past decade and prompted the U.S. Small Business Administration to offer low-interest loans to ski areas in eight New England and North Central States. The exceptionally high interest rates have, however, had relatively little effect on actual purchases, although the petitioner feels that they have caused some resorts to postpone their preseason ordering. Despite this, apparent consumption of super snow-grooming vehicles increased by 6 percent in January-September 1980 compared with consumption for the corresponding period of 1979.

Table 2.--Snow-grooming vehicles: Apparent U.S. consumption, by types, 1977-79, January-September 1979, and January-September 1980

(In units)

Period	Super snow-grooming vehicles	All other snow-grooming vehicles	Total snow-grooming vehicles
1977	***	***	***
1978	***	***	***
1979	***	***	***
January-September--			
1979	***	***	***
1980	***	***	***

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

Channels of Distribution

U.S. producers of snow-grooming vehicles sell both factory-direct and through independent dealers. Sales in the United States are handled about equally between the two. As a general rule, the manufacturer's sales force serves ski areas that are located in the same region of the country as the manufacturer. Dealers are selected to serve distant ski areas.

The relationship between manufacturer and dealer is quite similar among the domestic producers. Dealers purchase vehicles from the manufacturer at a standard 20-percent discount, f.o.b. point of shipment. Dealers can offer some portion of this discount to a prospective customer, and often do in competitive bidding situations. Domestic manufacturers do not finance sales to their dealers, however, they do permit payment to be delayed up to 6 months for vehicles that are used for display purposes or are inventoried. Once a vehicle is removed from inventory for sale or for use as a demonstrator, manufacturers typically request payment for the vehicle within 30 days.

Typically, the dealer's responsibility is to provide service and to maintain the warranty agreement of the manufacturer. This implies that an adequate supply of spare parts will be maintained. Up until 1980, common warranties on snow-grooming vehicles covered 300 hours of operation or 6 months on any manufacturing defect. In response to the warranty offered by the imported product, DMC increased its warranty to 12 months or 1,200 hours. Tucker's warranty remains 6 months or 300 hours. The labor costs are usually absorbed by the ski areas. U.S. manufacturers provide training for dealers' mechanics as well as for ski area maintainance personnel. Generally, the manufacturers of snow-grooming vehicles provide the national marketing for their products. However, any local or regional advertising is usually the responsibility of the dealers.

Most U.S. dealers of snow-grooming vehicles are also involved in other often related sales and service activities. Many sell agricultural equip-

ment, lawn and garden supplies, or timber-harvesting equipment. Other dealers perform engineering contracting functions which are usually associated with ski areas, such as designing and installing ski lifts.

The Domestic Industry

U.S. producers

There are currently three or four U.S. producers of snow-grooming vehicles--The Logan Division of DMC, Tucker Sno-Cat Corp., and the Miller W. Corp. Valley Engineering, the importer of parts and components of the Kassbohrer Pisten-Bully, may also be considered a domestic producer. However, its operations are discussed in the following section. DMC, the petitioner, is, by far, the largest domestic producer of snow-grooming vehicles, accounting for an estimated *** percent of the U.S. market in 1977-79. The Logan Division was established as a division of Thiokol Corp. in 1961 and was an outgrowth of research work on over-snow vehicles done by the University of Utah. The division was purchased by DMC in July 1979.

DMC produces four models of over-snow vehicles. The DMC 1450 is an intermediate-size vehicle. The 1200 is a standard-size vehicle, and the 3300 and the 3700 fit into the super category. The 3300 has automatic transmission, whereas the 3700 has hydrostatic transmission. These two models of super snow-grooming vehicles are the primary product of the DMC plant, accounting for an average of *** percent of the firm's production in 1977-79. The super snow-grooming vehicles are produced in two separate runs--one in which vehicles destined for domestic sales are assembled and another at a later date in which vehicles destined for sale in Europe are assembled. Consumer preference in Europe requires that more equipment be included on the vehicles sold in that market than those sold in the United States. DMC is the only producer that has an ***. All DMC models of snow-grooming vehicles, as well as the normal complement of snow-grooming accessories are manufactured in the plant using essentially the same equipment and the same workers.

DMC markets more than *** percent of its vehicles through retail outlets. The remainder are sold through six independent dealers located throughout the United States. DMC's European sales, which have accounted for roughly *** percent of their total production during the period under consideration, are handled by distributors in France, Switzerland, and Austria. DMC now offers a 12-month or 1,200 hour warranty covering parts and labor and has factory-trained service personnel at all dealerships and branch outlets. In addition, two servicemen are kept on 24-hour call at the DMC plant. Almost all ski areas that have purchased vehicles from DMC employ people who have been trained at one of the several training classes offered by DMC each year.

The second largest U.S. producer of snow-grooming vehicles is the Tucker Snow-Cat Corp., located in Medford, Oreg. Tucker produces five models of over-snow vehicles--an intermediate-size vehicle, a standard size-vehicle, and three models of the super snow-grooming vehicle. However, the smaller

vehicles account for the vast majority of Tucker's output. Emmet Tucker, Sr., produced the first over-snow vehicle in 1946, and the firm remains a small family-owned operation. It is estimated that Tucker accounts for *** percent of the domestic market for super snow-grooming vehicles and is the sole producer of a four-track vehicle.

All Tucker vehicles have either manual or automatic transmission and the two largest models also have an optional diesel engine. Tucker is served by four independent dealers in the continental United States and one in Alaska. They also have three overseas dealers--two in Latin America (Chile and Argentina) and one in Tokyo. Direct sales account for about *** percent of all Tucker's sales. Export sales account for *** percent of all vehicle sales.

Up to *** percent of Tucker's snow-grooming vehicles are sold to private snowmobile clubs for grooming snowmobile trails. Most of these sales are in the Midwest. Sales of transport vehicles to utility companies make up another *** percent of total vehicle sales.

The Tucker production operation is similar, however, somewhat less integrated, than that of DMC. This firm produces its own blade; however, it also offers the buyer the option of a blade and other grooming implements produced by Valley Engineering. Tucker does not separate its production runs according to the type of vehicle being produced; rather, it produces all models on the same assembly line. All of Tucker's sales of its super snow-grooming vehicles are made to order from parts kept in inventory. Because the Tucker vehicle relies on simpler engineering, the company does not face the problems acquiring parts faced by other domestic producers. Tucker is able to fill orders with a lead time of as little as 1 month.

It should be noted that while Tucker has shown some interest in the present investigation and has allowed the Commission's staff to tour its facilities and interview its personnel, the company has refused to provide the Commission with any specific information or data related to its operations on snow-grooming vehicles.

The third and smallest U.S. producer, the Miller W. Corp. of Stratton, Nebr., began producing its super snow-grooming vehicle in 1977. The Miller vehicle, the Kool Cat, is a hydrostatic-tracked vehicle powered by a diesel engine. Miller also began producing a smaller 4-cylinder over-snow vehicle in 1980. It is estimated that Miller's share of the domestic snow-grooming market is less than *** percent. Miller has indicated to the Commission that it supports the petition.

In 1978, White Tractor Co. also entered the snow-grooming business with a modified version of its 4-wheel farm tractor known as the White Trail Boss. The tractor, while accomplishing the purpose of snow-grooming, could not match the performance standards set by other domestically produced vehicles. Production of the vehicle ended in 1979, and it is believed that few of the vehicles were actually purchased.

U.S. importers

Prior to 1980, U.S. importers were, for the most part, independent dealers. There were only three dealers for the product imported from West Germany during 1977-79. These were Bernie Heunsch, Inc. which has offices in Colorado and Wisconsin, Goetz & Son, Inc., of California, and Mountain Power Mechanics, Ltd., in Vermont. Sales made by these dealers have been limited, totaling only *** vehicles during 1977-79.

Since January 1980, however, Valley Engineering, Inc., the leading manufacturer of snow-grooming attachments and equipment, has ostensibly become the largest importer of super snow-grooming vehicles and the sole importer of the Kassbohrer Pisten-Bully. Late in 1979, Kassbohrer of North America, Inc., was formed as a wholly-owned subsidiary of Karl Kassbohrer Fahrzeugwerke, GmbH, in Germany. On December 31, 1979, Kassbohrer of North America purchased Valley Engineering, Inc. Valley Engineering International was formed on September 31, 1980, as a sales corporation to handle the company's exports.

From January-September 1980, Valley Engineering resembled the earlier importers of the Pisten-Bully in that the company imported essentially complete vehicles. However, in September, Valley Engineering completed the first step in a series of planned expansions of its facilities in Gray, Maine. Valley now imports only parts, pieces, and components of the Pisten-Bully in what are called "kits" from West Germany. In addition, they purchase a number of components and pieces in the United States (e.g., the hydrostatic transmission and control system, lights, fittings, and hoses, as well as aluminium and steel castings and steel sheet which are manufactured into track assemblies, hydraulic cylinders, and fuel tanks in their plant). Many of the imported and domestic parts are modified by painting, machining, or welding in Valley's facilities before the vehicle can be assembled. Valley Engineering has also incorporated several changes into the structure of the tracks and the frame of the vehicle.

It should also be noted that, according to the management of Valley Engineering (which has remained essentially unchanged since the change in ownership), only the first step in the company's transition from importer to producer has been accomplished. Next year the firm intends to manufacture the vehicle's frame in its own facilities. The firm is also presently negotiating the purchase of diesel engines from Mercedes Benz of North America, Inc. of Montvale, N.J., however, the engine will still be imported from Mercedes Benz in Germany. Valley is also working on a number of design modifications which it has begun to incorporate into the vehicle. Thus, the company is importing less and less from Germany and eventually intends to import only those parts and components which can be better manufactured or obtained in Germany.

With its present manufacturing process, Valley already faces the same problems scheduling production as other domestic producers. Valley requires 12-24 months lead time to obtain the hydrostatic parts and engines for its vehicles. The result is that Valley must also schedule its production 1 year in advance of its intended sales season.

Compared with DMC, Valley is a small company and does not have the personnel to provide extensive training, warranty, or repair service to its customers. Therefore, Valley has acquired six dealers located throughout the United States and in Canada to handle sales and service. Valley currently provides training for those dealers' mechanics and resort mechanics who are interested. Although Valley has sold a majority of its vehicles directly to ski resorts, as the firm's facilities and activities expand, the firm foresees a growing reliance on their dealer network.

On the other hand, Valley's small size has allowed it to give more personalized attention to each sale. Valley is not only willing to make small modifications on the vehicles offered in a bid, but the firm also has the largest variety of snow-grooming accessories with which to equip the vehicle for the customer. Thus, Valley can and does offer a vehicle tailored to the specific needs of specific resorts.

Foreign Producers

There are at least eight known foreign producers of snow-grooming vehicles--five in Europe, two in Canada, and one in Japan. However, only two foreign producers are known to have exported their product to the United States during the period under consideration. These producers are Bombardier Limited of Valcourt, Quebec, and Karl Kassbohrer Fahrzeugwerke, GmbH, of West Germany. Bombardier exported a significant number of super snow-grooming vehicles to the United States in 1977. However, the firm has been unable to maintain a significant share of the U.S. market for these vehicles since then. Bombardier is primarily known for its Skidoo snowmobiles, its over-snow utility vehicles, and smaller snow-grooming vehicles. Reportedly, Bombardier competes successfully in the U.S. market for these vehicles, but is unable to produce a larger snow-grooming vehicle that would match the quality and performance of the domestic product.

In contrast, Kassbohrer is primarily known for its buses and coaches, as well as its bodies and trailers for commercial vehicles. According to officials at Valley Engineering, only five percent of Kassbohrer's business is represented by the manufacture and sale of the Pisten-Bully. The Pisten-Bully is actually a line of super snow-grooming vehicles equipped with hydrostatic transmission. A smaller vehicle, The Pisten-Bully 25.100D was imported as a prototype, but as yet, there has been no sale of the vehicle in the United States. Kassbohrer began producing the Pisten-Bully around 1970 and began exporting them to the United States in 1971 or 1972. Kassbohrer produces no other type of over-snow vehicle, but is nonetheless reportedly the largest producer of super snow-grooming vehicles in the world.

The plant where the vehicles are produced is located in Neu Ulm, West Germany, and employs 6,000 people. No figures on the plant's capacity to produce the the vehicles are available. However, according to officials at Valley Engineering, the maximum capacity of the Kassbohrer plant has been reached, and the company is sold out. Reportedly, owing to the restrictive policies of the German labor unions and the German Government, no expansion of

the plant's output could be achieved. However, the acquisition of Valley Engineering represented a means of expanding their production. Although the capacity of Valley Engineering is presently restricted by its lack of facilities and will eventually be limited by the number of component parts available from Germany, the capacity will probably be determined primarily by the demand that can be generated for the Pisten-Bully in North America.

It should also be noted that Kassbohrer apparently allows Valley Engineering to operate as an independent entity. Ostensibly, Kassbohrer simply sells Valley the parts and components the firm requires for its own production of the Pisten-Bully and does not intervene in the production or sale of the vehicles.

The Question of Injury or the Likelihood Thereof

U.S. production, capacity, and capacity utilization

U.S. production of all types of snow-grooming vehicles *** throughout the period under consideration (table 3). Production ***. It should, however, be noted that these figures are significantly understated owing to the lack of information on Tucker's production. Tucker may account for as much as *** percent of the U.S. market for super snow-grooming vehicles and reportedly accounts for a much larger portion of the market for the smaller vehicles.

U.S. production of the super snow-grooming vehicles showed a different trend, ***.

Following the trend of U.S. production, the capacity of U.S. producers to produce all types of snow-grooming vehicles has ***.

U.S. capacity to produce super snow-grooming vehicles also followed the pattern set by production, ***.

It should be noted that several factors affect the reliability of these data on capacity. The practical capacity of U.S. producers is effectively limited by the number of parts and components ordered by the company. In addition, all equipment and personnel are used interchangeably in the manufacture of all products made in the plant.

U.S. producers' capacity utilization achieved in the production of all snow-grooming vehicles ***.

U.S. producers' sales and exports

U.S. producers' sales of all types of snow-grooming vehicles *** during the period under consideration (table 4). The quantity of vehicles sold ***.

U.S. producers' sales of super snow-grooming vehicles presented a different picture. They ***.

Table 3.--Snow-grooming vehicles: U.S. production, capacity, and capacity utilization, by types and by firms, 1977-79, January-September 1979, and January-September 1980

Item and firm	1977	1978	1979	Jan.-Sept.-- 1979	Jan.-Sept.-- 1980
	Production				
Super snow-grooming vehicles:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal----------do----	***	***	***	***	***
All other snow-grooming vehicles:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal----------do----	***	***	***	***	***
Total, snow-grooming vehicles:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
	Capacity 1/				
Super snow-grooming vehicles:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal----------do----	***	***	***	***	***
All other snow-grooming vehicles:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal----------do----	***	***	***	***	***
Total, snow-grooming vehicles:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
	Capacity utilization				
Super snow-grooming vehicles:					
DMC----------percent--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Average----------do----	***	***	***	***	***
All other snow-grooming vehicles:					
DMC----------percent--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Average----------do----	***	***	***	***	***
Total, snow-grooming vehicles:					
DMC----------percent--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Average----------do----	***	***	***	***	***

1/ Capacity is defined as the maximum potential output of vehicles that can be achieved per year based on a 5-day work week running 1 shift per day. Capacity should be based on an average annual product mix for January 1977-September 1980. It should also be noted that the effective capacity for producing these vehicles will be limited by the parts and components ordered by the company for use in the production.

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

Table 4.--Snow-grooming vehicles: U.S. producers' sales, by types and by firms, 1977-79, January-September 1979, and January-September 1980

Type, item, and firm	1977	1978	1979	Jan.-Sept.--	
				1979	1980
	Quantity				
Super snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
All other snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Total, snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total-----------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total-----------do----	***	***	***	***	***
	Percent of total				
Super snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
All other snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Total, snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total-----------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***

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

Exports of U.S. producers' snow-grooming vehicles account for a significant share of U.S. producers' total sales and *** (table 5). The quantity of exports of all types of snow-grooming vehicles accounted for an average of *** of U.S. producers' total sales of the vehicles from 1977 to 1979, but accounted for *** percent in January-September 1980. Exports of super snow-grooming vehicles have been even more important to U.S. producers. In 1977, the quantity of exports of super snow-grooming vehicles accounted for *** of the total sales of super snow-grooming vehicles. That figure ***.

Exports of all types of snow-grooming vehicles ***.

Exports of super snow-grooming vehicles ***.

U.S. producers' inventories

U.S. producers' inventories of all types of snow-grooming vehicles *** the period under consideration both in terms of quantity and as a ratio of total sales of the vehicles (table 6). The quantity of all types of snow-grooming vehicles held in inventory as of December 31, ***.

U.S. producers' inventories of super snow-grooming vehicles also ***.

It should be noted that while the ratios of inventories to sales for January-September appear unusually high, the majority of these vehicles are delivered in October-December. Thus, high inventory levels could be expected.

U.S. employment and wages

Employment data for workers employed by the Miller W. Co. and for DMC in the production of snow-grooming equipment are shown in table 7. The Miller W. Co. indicated that employment *** in the period 1977-79. Total employment reported in the production of snow-grooming vehicles for Miller was ***. No employment data for 1980 were provided by Miller, nor were data provided for man-hours worked by, or wages paid to, all production and related workers. No data are available for Tucker.

Table 5.--Snow-grooming vehicles: U.S. producers' sales, by types and by firms, 1977-79, January-September 1979, and January-September 1980

Type, item, and firm	1977	1978	1979	Jan.-Sept.--	
				1979	1980
	Quantity (units)				
Super snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
All other snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Total, snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
	Ratio of exports to total sales (percent)				
Super snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
All other snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Subtotal---------do----	***	***	***	***	***
Total, snow-grooming vehicles:					
Quantity:					
DMC----------units--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
Value:					
DMC-------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***

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

Table 6.--Snow-grooming vehicles: U.S. producers' inventories, by types and by firms, as of Dec. 31, 1977-79, Sept. 30, 1979, and Sept. 30, 1980

Item and firm	As of Dec. 31--			As of Sept. 30--	
	1977	1978	1979	1979	1980
	Quantity (units)				
Super snow-grooming vehicles:					
DMC	***	***	***	***	***
Miller	***	***	***	***	***
Subtotal	***	***	***	***	***
All other snow-grooming vehicles:					
DMC	***	***	***	***	***
Miller	***	***	***	***	***
Subtotal	***	***	***	***	***
Total, snow-grooming vehicles:					
DMC	***	***	***	***	***
Miller	***	***	***	***	***
Total	***	***	***	***	***
	Ratio of inventories to sales (percent)				
Super snow-grooming vehicles:					
DMC	***	***	***	***	***
Miller	***	***	***	***	***
Average	***	***	***	***	***
All other snow-grooming vehicles:					
DMC	***	***	***	***	***
Miller	***	***	***	***	***
Average	***	***	***	***	***
Total, snow-grooming vehicles:					
DMC	***	***	***	***	***
Miller	***	***	***	***	***
Average	***	***	***	***	***

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

Table 7.--Average number of employees in U.S. establishments producing snow-grooming vehicles, total and all production and related workers producing snow-grooming vehicles, and wages paid to and man-hours worked by all production and related workers producing snow-grooming vehicles, by firms, 1977-79, January-September 1979, and January-September 1980

Item and firm	1977	1978	1979	Jan.-Sept.--	
				1979	1980
Average number of all employees:					
DMC	***	***	***	***	***
Miller	***	***	***	***	***
Total	***	***	***	***	***
Average number of all production and related workers producing snow-grooming vehicles:					
DMC	***	***	***	***	***
Miller	***	***	***	***	***
Total	***	***	***	***	***
Wages paid to all production and related workers producing snow-grooming vehicles:					
DMC----------1,000 dollars--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
Man-hours worked by all production and related workers producing snow-grooming vehicles:					
DMC Corp----------1,000 hours--	***	***	***	***	***
Miller----------do----	***	***	***	***	***
Total----------do----	***	***	***	***	***

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

The available data indicate that U.S. employment ***. The average number of all production and related workers generally followed a similar pattern as that of all workers, although the fluctuations were more pronounced. The average number of all production and related workers ***.

Generally, the same workers that produce super snow-grooming equipment also produce the other grooming equipment, but in separate production runs. Because the same workers generally produce both the super snow-grooming vehicle and the other snow-grooming equipment, the labor can easily be switched between the production of the two different types of equipment on the basis of the relative number of orders for the different products. Workers

normally work a single production shift per day and only a limited amount of overtime. Workers in the snow-grooming equipment industry are not unionized.

Wages paid to, and man-hours worked by, all production and related workers producing snow-grooming vehicles generally followed the trend established by employment. Wages paid to all production and related workers ***. Man-hours worked by all production and related workers producing snow-grooming vehicles ***.

Profit-and-loss experience of U.S. producers

The petitioner, DMC, was the only U.S. producer that submitted profit-and-loss information to the Commission on their snow-grooming vehicle operations. These data are presented in table 8. The data reflect DMC's experience on all products produced by the Logan Division and thus, include information on the two smaller models of over-snow vehicles as well as DMC's snow-grooming implements (blades, compactor bars, etc.). Sales of DMC's super snow-grooming vehicles accounted for an average of *** percent of DMC's total vehicle sales during 1977-79, DMC also provided the Commission with information on its operations on super snow-grooming vehicles alone. However in analyzing the data, the Commission's accountant has determined that DMC's costs have been allocated on the basis of net sales of the vehicles. This information is, therefore, not adequate for use by the Commission. There was not enough time for DMC to revise this information. Data on super snow-grooming vehicles were not submitted for 1980.

Overall, it appears that 1978 was ***.

DMC's cost of goods sold ***. The resulting gross profit generally ***.

General, administrative, and selling expenses ***. The resulting net profit ***.

The ratio of net operating profit to net sales followed a similar pattern, ***.

The data submitted by DMC on its operations on super snow-grooming vehicles resulted in a ratio of net operating profit to net sales and a ratio of the cost of goods sold to net sales which mirrored those obtained on the firm's overall operations on snow-grooming vehicles.

DMC's cash flow from its operations on snow-grooming vehicles was calculated from the financial data submitted and is defined as the net operating profit less depreciation and amortization expenses. The expenses were not detailed for 1980. Therefore, the cash flow for the last three quarters can not be calculated.

DMC's cash flow on its overall operations on snow-grooming vehicles *** (table 9). The figures submitted by DMC indicate that the cash flow on its super snow-grooming vehicle operations has been much more volatile, ***.

Table 8.--Profit-and-loss experience of the Logan Division of DMC on all products on super grooming vehicles, snow and super grooming vehicles 1977-79

Item	1977	1978	1979	Jan.-Sept.--	
				1979	1980
All products:					
Net sales----------1,000 dollars--	***	***	***	***	***
Cost of goods sold----------do----	***	***	***	***	***
Gross profit----------do----	***	***	***	***	***
Administrative and selling expenses---do----	***	***	***	***	***
Net operating profit----------do----	***	***	***	***	***
Ratio of net operating profit to net sales----------percent--	***	***	***	***	***
Ratio of cost of goods sold to net sales----------percent--	***	***	***	***	***
Super snow grooming vehicles:					
Net sales----------1,000 dollars--	***	***	***	***	***
Cost of goods sold----------do----	***	***	***	***	***
Gross profit----------do----	***	***	***	***	***
Administrative and selling expenses---do----	***	***	***	***	***
Net operating profit----------do----	***	***	***	***	***
Ratio of net operating profit to net sales----------percent--	***	***	***	***	***
Ratio of cost of goods sold to net sales----------percent--	***	***	***	***	***

1/ Not available.

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

Table 9.--The Logan Division of DMC's cash flow from operations on all products and on super snow-grooming vehicles, 1977-79

(In thousands of dollars)

Item	1977	1978	1979
All products	***	***	***
Super snow-grooming vehicles	***	***	***

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

The Question of the Causal Relationship Between the Alleged LTFV Imports from the Federal Republic of Germany and the Alleged Injury

U.S. imports and market penetration of alleged LTFV imports

Only limited imformation was available on imports of snow-grooming vehicles. Valley Engineering was able to provide the Commission with information on the quantity of imports from West Germany during the period under consideration. The company could not, however, provide information as to the value of these imports during 1977-79. Bombardier Limited of Canada was the only other source of imported vehicles during the period. This company provided the Commission only with the quantity of super snow-grooming vehicles imported during the period. Information on the value of these imports, the quantity and value of other types of snow-grooming vehicles imported, and prices were not provided.

Imports of super snow-grooming vehicles from West Germany were fairly stable from 1977 to 1979. However they doubled in January-September 1980 relative to imports during the corresponding period of 1979 (table 10). In 1977, seven vehicles were imported from Germany, accounting for *** of apparent U.S. consumption that year. In 1979, seven vehicles were again imported, but they accounted for *** of the U.S. market. The 14 vehicles imported in January-September 1980 accounted for *** of apparent U.S. consumption of all super snow-grooming vehicles during the period.

It should be noted, however, that virtually all imports are entered into the United States before September so that they will be ready for delivery during the peak sales months of October, November, and December. In contrast, U.S. producers' sell a disporportionately large number of vehicles (***) during the October-December period. Most of these vehicles are also exported (***), so that they will arrive in their prospective markets prior to the peak sales season. Thus, the import penetration ratios for January-September are significantly overstated. Nonetheless, the ratio of imports from West Germany to apparent U.S. consumption increased substantially in January-September 1980 relative to the ratio for corresponding period of 1979--***.

* * * * * * *

Table 10.--Snow-grooming vehicles: U.S. producers' shipments, imports for consumption, exports, and apparent, consumption, by types, 1977-79, January-September 1979, and January-September 1980

Item and period	U.S. producers' shipments	Imports			Exports	Apparent consumption	Ratio of imports to consumption		
		From West Germany	From Canada	Total			From West Germany	From Canada	Total
	Units						Percent		
Super snow-grooming vehicles:									
1977	***	7	***	***	***	***	***	***	***
1978	***	12	***	***	***	***	***	***	***
1979	***	7	***	***	***	***	***	***	***
January-September--									
1979	***	7	***	***	***	***	***	***	***
1980	***	1/ 14	***	***	***	***	***	***	***
All other snow-grooming vehicles:									
1977	***	0	***	***	***	***	***	***	***
1978	***	0	***	***	***	***	***	***	***
1979	***	0	***	***	***	***	***	***	***
January-September--									
1979	***	0	***	***	***	***	***	***	***
1980	***	0	***	***	***	***	***	***	***
Total, snow-grooming vehicles:									
1977	***	7	***	***	***	***	***	***	***
1978	***	12	***	***	***	***	***	***	***
1979	***	7	***	***	***	***	***	***	***
January-September--									
1979	***	7	***	***	***	***	***	***	***
1980	***	14	***	***	***	***	***	***	***

1/ Includes 11 vehicles shipped by Valley Engineering.

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

Prices

Monthly price data on super snow-grooming vehicles were collected, from U.S. producers, importers, and purchasers of the vehicles. Average quarterly prices reported on the questionnaires for the petitioner and for the super snow-grooming vehicle imported from West Germany are shown in table 11. Trends in these prices are difficult to compare because of the gaps in the data reported on the questionnaires, particularly for the imported product. 1/ It is, however, apparent that the prices received for the petitioner's snow-grooming vehicles, the DMC 3700 and 3300, had increased slightly more than those prices received for the imported product during the period from January 1978 to September 1980. Prices for the DMC 3700 increased by *** percent, and prices for the imported product increased by *** percent. Nonetheless, there is no evidence of imports underselling the domestic products from the data collected by the Commission. Prices of the imported vehicles are above the prices of the domestic products in each quarter that transactions are reported for both. In fact, comparisons of the annual averages of the prices paid for the domestically produced vehicles and those paid for the Kassbohrer product reveal that a premium of *** percent was received for the Kassbohrer relative to the DMC 3700 in 1978, *** percent in January-March 1979, and *** percent in 1980. A premium of * * * percent relative to the DMC 3300 was paid for the Kassbohrer in April-June 1980. It should also be noted that DMC was able to increase the average price of its vehicles by about *** percent from 1977 to 1980.

Differences in the optional equipment provided and the general quality differences in the products complicate price comparisons between the domestic and imported vehicles. To try and arrive at more uniform products for comparison purposes, the list prices of the optional equipment included on the vehicles were subtracted out of the total vehicle prices, and are shown in table 11. This optional equipment included such accessories as compactor bars, U-blades, stereo radios, urethane-filled tires, and tiller bars. The resulting prices for the "basic" domestic and imported super snow-grooming vehicles are presented in table 12.

Again, the imported product shows no sign of underselling the domestic products. Prices of the imported vehicle are above the average prices of domestic vehicles in every quarter in which transactions are reported for both. The premiums received for the imported product were also similar when the average annual adjusted prices received by U.S. importers were compared with the domestic producers' average annual prices. The average annual price of the Kassbohrer was *** percent higher than the price received for the DMC 3700 in 1978, *** percent in January-March 1979, and *** percent in 1980. The Kassbohrer also sold for *** percent more than the DMC 3300 in April-June 1980. The increase in adjusted domestic prices of about *** percent between January 1977 and September 1980 was about the same as for the unadjusted prices discussed previously. Finally, the average price increase for the

1/ The former importer of the Kassbohrer vehicles changed ownership within the last year and claims not to have records of all previous transactions.

Table 11.--Super snow-grooming vehicles: Prices of domestically produced vehicles and vehicles imported from West Germany, quarterly and annual averages, 1977-1980.

Period	DeLorean Manufacturing Company		Imports from West Germany (Kassbohrer, model PB-170D)
	Model 3700 (hydrostatic)	Model 3300 (automatic)	
1977:			
January-March	***	-	-
April-June	***	-	-
July-September	***	-	-
October-December	***	-	-
Average	***	-	-
1978:			
January-March	***	-	***
April-June	***	-	***
July-September	***	-	***
October-December	***	-	***
Average	***	-	***
1979:			
January-March	***	-	***
April-June	***	-	***
July-September	***	-	***
October-December	***	***	***
Average	***	***	***
1980:			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December 1/	***	***	***
Average	***	***	***

1/ Price data for this period were only available through Nov. 21, 1980.

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

Table 12.--Super snow-grooming vehicles: Prices adjusted to exclude all optional equipment and attachments of domestically produced vehicles and vehicles imported from West Germany, quarterly and annual averages, 1977-1980.

Period	DeLorean Manufacturing Company		Imports from West Germany (Kassbohrer, model PB-170D)
	Model 3700 (hydrostatic)	Model 3300 (automatic)	
1977:			
January-March	***	-	-
April-June	***	-	-
July-September	***	-	-
October-December	***	-	-
January-December	***	-	-
1978:			
January-March	***	-	***
April-June	***	-	***
July-September	***	-	***
October-December	***	-	***
January-December	***	-	***
1979:			
January-March	***	-	***
April-June	***	-	***
July-September	***	-	***
October-December	***	***	***
January-December	***	***	***
1980:			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December 1/	***	***	***
January-December	***	***	***

1/ Price data for this period were only available through Nov. 21, 1980.

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

period January 1978-September 1980 was again slightly higher for the domestic vehicles than for the imports.

Thus, there appears to be little difference in the relative prices of the domestic and imported snow-grooming vehicles whether these prices include optional equipment or not. The price premium appears to be paid for the imported product because of actual or perceived advantages in the value of the standard features, the efficiency, the dependability, and/or the quality of the imported product.

The petitioner has claimed that it was unable to increase prices rapidly enough during the period under consideration because of competition from the imported product. However, the increase in the average prices of the DMC model 3700 between January 1977 and September 1980 of *** percent was slightly higher than the increase in consumer prices of 33 percent for the same period. It is also higher than the increase in producer prices of 26 percent for all transportation equipment over the period 1977-80.

Lost sales

The petitioner, DMC, alleges that in 1979-80, there were 22 sales of its top-of-the-line model (the DMC 3700) lost to sales of the imported product. Seven of the alleged lost sales occurred in 1979 and 15 in 1980. If substantiated, these 22 lost sales would equal about *** of the petitioner's actual number of sales of snow-grooming equipment during this period, and 23 percent of the value of these sales. 1/ The Miller W. Corp. cited five sales lost to import competition with one of the same purchasers cited by DMC.

Thus far, the Commission's staff has been able to contact the purchasers of 21 of the 22 vehicles that the petitioner claims were lost to imports (7 in 1979 and 14 in 1980). Of the alleged 1979 lost sales, it was found that one firm had never purchased an imported snow-grooming vehicle and that a second had purchased a used Kassbohrer. Of the five new Kassbohrer vehicles that were confirmed as sold in 1979, two were sold at a higher price than DMC offered. In two cases, DMC refused to demonstrate their vehicle to the potential customers, so there was never serious consideration given to purchasing from DMC. The remaining purchaser bought primarily on the basis of the superior quality and fuel economy of the Kassbohrer product. The price was about the same as the domestic product.

1/ Most of the 1980 deliveries of the imported product were made in October-December. ***. If, as in 1979, October-December sales accounted for *** percent of the sales for in 1980, the 22 lost sales would equal only about *** percent of the total number of the petitioner's sales in 1979-80.

The staff has contacted purchasers of 14 of the 15 sales alleged to have been lost to imports in 1980. Three of these sales were found to have been of used Kassbohrer equipment (two purchased at about the same price as offered by DMC, while the third was lower in price). A fourth vehicle was leased from Valley Engineering Co. with an option to buy. Of the 10 confirmed purchases of new Kassbohrer vehicles in 1980 (not all have been delivered) 9 were transacted at prices higher than those offered by DMC or any other domestic manufacturer, while the remaining sale was made at a similar price. The leased vehicle also had a higher sales price than the DMC 3700 (about *** higher). All of the purchasers of new Kassbohrer vehicles cited two or more of the following as the reasons for purchasing a Kassbohrer rather than the DMC product: the DMC vehicles had a higher incidence of repairs and more down time; in the past, DMC had been dilatory or uncooperative in responding to servicing requests on their vehicles; personal experience or conversations with other owners indicated that the Kassbohrer was a better built product, or was more reliable; DMC was unwilling to demonstrate their product, and no other domestic producer made a comparable product to the Pisten-Bulley 170D; finally, the Kassbohrer was more efficient and had lower operating costs than the DMC 3700.

In summary, of the 21 alleged lost sales that the staff has been able to contact, one did not purchase an import at all, and four purchased used vehicles. Twelve of the remaining import sales (including the leased vehicle) were made at prices higher than those offered by the petitioner. In the remaining four cases, the purchasers did not give serious consideration to the DMC product either because DMC refused to demonstrate the product or because the quality of the imported product was markedly superior. The reasons for purchasing the Kassbohrer at higher prices than were available for the domestic product were generally that the quality and/or servicing available was much better for the Kassbohrer than for the DMC product.

APPENDIX A

NOTICE OF INSTITUTION OF PRELIMINARY ANTIDUMPING INVESTIGATION AND SCHEDULING OF CONFERENCE

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

731-TA-36 (Preliminary)

SNOW GROOMING VEHICLES, PARTS THEREOF AND ACCESSORIES THEREFOR FROM THE FEDERAL REPUBLIC OF GERMANY

NOTICE OF INSTITUTION OF PRELIMINARY ANTIDUMPING INVESTIGATION AND SCHEDULING OF CONFERENCE

AGENCY: United States International Trade Commission.

ACTION: Institution of preliminary antidumping investigation to determine whether 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 is materially retarded, by reason of imports from the Federal Republic of Germany of certain snow grooming vehicles, parts thereof and accessories therefor allegedly sold or likely to be sold at less than fair value. For the purposes of this investigation, the term "snow grooming vehicles, parts thereof and accessories therefor" means track-laying vehicles, having a tilting cab, specially designed for grooming snow, provided for in items 692.16 or 692.35 of the Tariff Schedules of the United States (TSUS) and parts thereof and accessories therefor chiefly used on such vehicles, wherever provided for in the TSUS.

EFFECTIVE DATE: November 6, 1980.

FOR FURTHER INFORMATION CONTACT: John MacHatton, Supervisory Investigator (202-523-0439).

SUPPLEMENTARY INFORMATION:

Background. This investigation is being instituted following receipt of a petition on November 6, 1980, filed by the Logan

Division of DeLorean Manufacturing Company. The petition requested the imposition of additional duties in an amount equal to the amount by which the foreign market value exceeds the United States price of snow grooming vehicles imported from the Federal Republic of Germany.

Authority. Section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) requires the Commission to make a determination of whether 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 alleged to be, or likely to be, sold in the United States at less than fair value. Such a determination must be made within 45 days after the date on which a petition is filed under section 732(b) or on which notice is received from the Department of Commerce of an investigation commenced under section 732(a). Accordingly, the Commission, on November 17, 1980, instituted preliminary antidumping investigation No. 731-TA-36. This investigation will be subject to the provisions of part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 F.R. 76457) and particularly, subpart B thereof.

Written submissions. Any person may submit a written statement of information pertinent to the subject matter of this investigation to the Commission on or before December 5, 1980. A signed original and nineteen copies of such statements must be submitted.

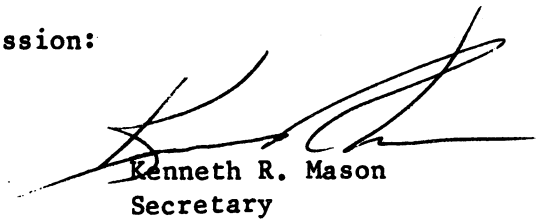
Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential

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.

Conference. The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 10:00 a.m., e.s.t., on December 4, 1980, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisory investigator for the investigation, Mr. John MacHatton (202-523-0439). 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.

Inspection of petition. The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

By order of the Commission:



Kenneth R. Mason
Secretary

Issued: November 17, 1980

APPENDIX B

DEPARTMENT OF COMMERCE'S NOTICE OF INITIATION OF ANTIDUMPING INVESTIGATION

3. This order will be published in the Federal Register.

By the Civil Aeronautics Board:*

Phyllis T. Kaylor,

Secretary.

[FR Doc. 80-37849 Filed 12-4-80; 8:45 am]

BILLING CODE 6320-01-M

DEPARTMENT OF COMMERCE

International Trade Administration

Snow Grooming Vehicles, Parts Thereof and Accessories Therefor From the Federal Republic of Germany; Initiation of Antidumping Investigation

AGENCY: U.S. Department of Commerce.

ACTION: Initiation of antidumping investigation.

SUMMARY: The Department of Commerce advises the public that on the basis of a petition filed in proper from we are initiating an antidumping investigation to determine whether snow grooming vehicles, assembled or unassembled, and parts and accessories thereof from the Federal Republic of Germany are being, or are like to be, sold at less than fair value. 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 in the manufacturer's or exporter's home market, or other countries, or less than the constructed value.

The Department of Commerce is notifying the International Trade Commission of this action so that, in accordance with the Tariff Act of 1930, as amended, and no later than December 22, 1980 the Commission may determine whether there is a reasonable indication of material injury because of imports of this merchandise.

EFFECTIVE DATE: December 5, 1980.

FOR FURTHER INFORMATION CONTACT: Mr. Michael Hudak, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230 (202-377-3174).

SUPPLEMENTARY INFORMATION: On November 6, 1980, the Department of Commerce ("Department") received a petition that complies with the requirements of §§ 353.36 and 353.37 of the Department Regulations (19 CFR 353.36 and 353.37). The petition was filed by the De Lorean Manufacturing Company, Logan, Utah, on behalf of the United States industry producing snow grooming vehicles. The petition alleges that snow grooming vehicles and accessories from the Federal Republic of Germany are being, or are likely to be, sold at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673)("the Act") and that the U.S. industry is likely to be materially injured by reason of imports of that merchandise.

The merchandise covered by this investigation is snow grooming vehicles, assembled or unassembled, provided for under item numbers 692.16 or 692.35, Tariff Schedules of the United States, and parts and accessories used chiefly on such vehicles, wherever provided for in the Tariff Schedules of the United States.

The petition includes sufficient evidence supporting both the allegations of sales at less than fair value on the basis of comparisons between prices in the home market and in the United States market, and of material injury, on the basis of actual or potential declines in output, sales, market share, profits, and employment in the United States industry.

In accordance with section 732(c) of the Act (19 U.S.C. 1673a(c)), I hereby decide that the Department will initiate an investigation to determine whether imports of snow grooming vehicles, assembled or unassembled, and parts and accessories thereof from the Federal Republic of Germany are being, or are likely to be, sold at less than fair value.

Pursuant to section 732(d) of the Act (19 U.S.C. 1673a(d)) the Department is notifying the U.S. International Trade Commission (ITC) and providing it with a copy of the information on which we based this determination to initiate an investigation. The International Trade Administration will make available to the ITC all nonprivileged and nonconfidential information. It will also make available all privileged and confidential information in its files, provided the ITC confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Pursuant to section 733(a) of the Act (19 U.S.C. 1673b(a)), the ITC will determine no later than December 22, 1980, whether there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of imports of snow grooming vehicles, parts thereof and accessories therefor from the Federal Republic of Germany. If that determination is negative, this investigation will be deemed terminated, and the International Trade Administration will publish no further notice. Otherwise, the investigation will proceed to its conclusion.

Section 733(b) of the Act (19 U.S.C. 167 b(b)) requires that, normally no later than 160 days after date on which the petition was filed, the International Trade Administration make a preliminary determination whether there is a reasonable basis to believe or suspect that merchandise which is the subject of this investigation is being, or likely to be, sold at less than fair value. Therefore, unless the investigation is terminated or extended, the International Trade Administration will make a preliminary determination not later than April 27, 1981.

This notice is published pursuant to section 732 of the Act (19 U.S.C. 1673a) and section 353.37(b) of the Department Regulations, (19 CFR 353.37(b)).

John D. Greenwald,

Deputy Assistant Secretary for Import Administration.

November 26, 1980.

[FR Doc. 80-37740 Filed 12-4-80; 8:45 am]

BILLING CODE 3510-25-M

Jet Propulsion Laboratory; Decision on Application for Duty-Free Entry of Scientific Article

The following is a decision on an application for duty-free entry of a scientific article pursuant to Section 6(c) of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Public Law 89-651, 80 Stat. 897) and the regulations issued thereunder as amended (15 CFR 301).

A copy of the record pertaining to this decision is available for public review between 8:30 a.m. and 5:00 p.m. in Room 3109 of the Department of Commerce Building, 14th and Constitution Avenue, NW., Washington, D.C. 20230.

Docket No.: 80-00266. Applicant: Jet Propulsion Laboratory, 4800 Oak Grove Drive, Pasadena, California 91103. Article: Cooled Millimeter Wave-Length Microwave Spectrometer Receiver. Manufacturer: Millimeter Wellen Technik, West Germany. Intended use of article: The article is intended to be used for radio astronomical investigations of cosmic sources of molecular line emission to determine the physical conditions, such as temperature and density, in the gas flowing from stars in the late stages of their lives. A particular objective is the determination of the abundance of water vapor in the stellar ejecta. The experimental technique consists of measuring the output power from the receiver at various wavelengths when the telescope is

A-36

* All members concurred.