

# **PORCELAIN-ON-STEEL COOKING WARE**

**Report to the President  
on Investigation No. TA-203-10  
Under Section 203  
of the Trade Act of 1974**



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# UNITED STATES INTERNATIONAL TRADE COMMISSION

## COMMISSIONERS

Bill Alberger, Chairman

Michael J. Calhoun, Vice Chairman

Catherine Bedell

Paula Stern

Alfred E. Eckes

Eugene J. Frank

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Kenneth R. Mason, Secretary to the Commission

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This report was prepared by:

Daniel Leahy, Investigator  
Debra Baker, Office of Investigations  
John DePaw, Office of Industries  
Joann DiGennaro, Office of the General Counsel  
Norman Elrod, Office of Economics  
Daniel Klett, Office of Economics  
Chand Mehta, Office of Investigations

---

Vera A. Libeau, Supervisory Investigator

Address all communications to  
Office of the Secretary  
United States International Trade Commission  
Washington, D.C. 20436

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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



REPORT TO THE PRESIDENT  
INVESTIGATION NO. TA-203-10  
PORCELAIN-ON-STEEL COOKING WARE

U.S. International Trade Commission  
October 28, 1981

To the President:

In accordance with section 203(i)(2) of the Trade Act of 1974 (19 U.S.C. 2253(i)(2)), the United States International Trade Commission herein reports the results of an investigation concerning porcelain-on-steel cooking ware.

The Commission unanimously 1/ advises, on the basis of information obtained in the investigation, that termination or reduction of import relief presently in effect with respect to imports of cooking ware (except teakettles) of steel, not having self-contained electrical heating elements, enameled or glazed with vitreous glasses, and valued not over \$2.25 per pound, provided for in item 654.02 of the Tariff Schedules of the United States, would have an adverse economic effect on the domestic industry concerned.

The Commission instituted this investigation on June 26, 1981, following receipt, on June 16, 1981, of a request by the United States Trade Representative (USTR) for the Commission's advice on the probable economic effect of termination of import relief. The USTR had been directed by President Carter to request such advice following his Proclamation of import relief in January 1980. Public notice of the investigation and hearing was

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1/ Commissioner Stern notes that modification of import relief to exclude high-priced, high-fashion cooking ware is desirable; however such an exclusion does not appear to be feasible. Commissioner Eckes did not participate.

given by posting copies of the notice at the office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of July 8, 1981 (46 F.R. 35395). A public hearing was held in connection with this investigation on September 14, 1981, in Washington, D.C. All interested persons were afforded an opportunity to be present, to present evidence, and to be heard.

The information in this report was obtained from field work, questionnaires sent to the domestic producer and importers, the Commission's files, other Government agencies, briefs filed by interested parties, and other sources.

## STATEMENT OF THE COMMISSION

On the basis of the information before the Commission in this investigation, it is our judgment that reduction or termination of the import relief currently in effect will have an adverse economic effect on the domestic industry producing porcelain-on-steel cooking ware. 1/ We therefore advise that relief should be continued at the currently scheduled levels. 2/

During the course of the investigation, several importers urged that certain porcelain-on-steel cooking ware articles be excluded from the relief. They suggested that exclusions could be accomplished by reducing the present breakpoint price (\$2.25 per pound), or by basing the relief on the metal thickness of the products, or by excluding articles on an individual basis. We have considered all of these suggestions and are of the view that such changes would be either administratively infeasible or would have the effect of undercutting the relief program.

The above advice is based on our assessment of all relevant economic factors, including the considerations set forth in section 202(c) and the progress and specific efforts made by the industry during the relief period to adjust to import competition. 3/ In determining what advice to provide, we have focused on developments in the U.S. market for porcelain-on-steel cooking

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1/ Section 203(i)(2) of the Trade Act of 1974 (19 U.S.C. 2253(i)(2)).

2/ Relief in the form of duty increases on imported porcelain-on-steel cooking ware classified under item 654.02 of the Tariff Schedules of the United States and valued not over \$2.25 per pound net weight is scheduled to terminate in January 1984.

3/ Section 203(i)(4) of the Trade Act of 1974 (19 U.S.C. 2253(i)(4)).

ware since the imposition of import relief and efforts which the industry has made since that time in adjusting to import competition. 4/

#### The product

The product covered in this investigation is cooking ware of steel, except teakettles, not having self-contained heating elements, and enameled or glazed with vitreous glasses. Such articles are referred to as porcelain-on-steel cooking ware.

Porcelain-on-steel cooking ware can be divided into three groups of products--utility, special-purpose, and fashion. 5/ Each group can be distinguished by its physical characteristics. Utility cooking ware consists of skillets, saucepans, and other assorted pots made of thin-gauge steel and offered in basic colors. Special-purpose cooking ware consists of roasters, stock pots, canners, and other unique types of cooking ware. This product group is characterized by slightly thicker gauges of steel and is generally offered with a speckled white and blue coating. Finally, the fashion cooking ware group usually consists of seven-piece sets. It is made of heavy-gauge steel and is highly decorative. All three groups of cooking ware are produced by General Housewares Corp. (GHC), the sole domestic producer, and also are imported from a number of foreign sources; however, GHC does not currently produce for the high-end of the fashion cooking ware market. For tariff purposes porcelain-on-steel cooking ware imports are classified as those

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4/ GHC is the sole domestic firm producing porcelain-on-steel cooking ware; therefore, the statistical data regarding its financial and market performance must be held confidential and will be discussed only in general terms.

5/ Report, p. A-2.

valued not over \$2.25 per pound and those valued over \$2.25 per pound. Only imports in the not over \$2.25 category are covered by import relief. 6/

The U.S. market for porcelain-on-steel cooking ware

Apparent U.S. consumption of all types of porcelain-on-steel cooking ware (including teakettles and cooking ware valued over \$2.25 per pound) declined sharply from 1979 to 1980 and continued to decline in 1981. 7/ Consumption of porcelain-on-steel cooking ware covered by import relief also declined during this period. The results of a Commission survey of buyers and merchandise managers for retail outlets show that the decline in sales of porcelain-on-steel cooking ware in the U.S. market can be attributed to such factors as (1) a general decline in the U.S. economy; (2) a decline in purchases by groups that have traditionally purchased this type of cooking ware; (3) an increase in the price of porcelain-on-steel; and (4) the introduction of Silverstone-coated cooking ware. 8/

The decline in consumption of porcelain-on-steel cooking ware also parallels the downward trend in sales of all metal cooking ware between 1979 and 1980. Consumption of all nonelectric metal cooking ware declined from 281 million units in 1979 to 254 million units, representing a decrease of 10 percent. 9/

Efforts of U.S. producer to adjust to import competition

In his letter to the Commission requesting this investigation, the United States Trade Representative specifically requested a review of the progress

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6/ Id., p. A-3.

7/ Id., p. A-7.

8/ Id., p. A-9.

9/ Id.

and efforts made by GHC to adjust to import competition during the relief period. GHC's efforts to date can be grouped into three broad categories--(1) production process, (2) marketing, and (3) rationalization of production capacity. 10/

Production-related efforts were centered in machinery acquisition. GHC purchased and installed in its Terre Haute, Ind., plant a new type of furnace intended to reduce energy consumption, reduce product defects, and improve the quality of the finished product in terms of appearance and durability. This furnace represents the initial step in a conversion process which will completely replace the conventional muffle-type furnaces now being used.

In response to changing consumer demand in late 1978, foreign suppliers of porcelain-on-steel cooking ware began to offer cooking ware items with bulged or curved sides in contrast to the straight-sided cooking ware which was then prevalent in the market. During the relief period, GHC has developed a method of producing this popular bulge shape without the costly labor inputs used by foreign producers. GHC began commercial shipments of this new product in August 1981.

In addition to these major projects, GHC also undertook a number of other production-related projects to increase the efficiency of its operations and the quality of its products. 11/ Included were two projects that, while not related directly to the type of cooking ware under relief, reflected efforts to expand the firm's product offerings and to find additional applications for its enameling operations.

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10/ Id., pp. A-16-A-20.

11/ Id., pp. A-17-A-18.

Adjustment efforts to improve marketing ranged from development of new product lines to new promotional and merchandising programs. The goal of these efforts is to broaden the distribution of GHC products and at the same time to develop a brand name recognition of GHC as a producer of high quality cooking ware.

GHC's efforts in the production process and marketing areas are only beginning, and their success cannot be fully measured in the short period of time relief has been in effect.

The final area of adjustment for GHC, rationalization of production, has yet to begin. In presentations to the Commission during investigation No. TA-201-39, Nonelectric Cooking Ware, <sup>12/</sup> GHC proposed to acquire and reopen the porcelain-on-steel production facility in Moundsville, W. Va., formerly owned by the U.S. Stamping Co. This acquisition would allow for the eventual transfer of decorated fashion cooking ware operations to the Moundsville facility resulting in more efficient utilization of the Terre Haute facility. In subsequent testimony before the Commission in this investigation, GHC has shown how economic conditions, including declines in consumption, high interest rates, and lower than anticipated capacity utilization of present production facilities, changed in such a way as to make the reopening of the Moundsville facility impossible. <sup>13/</sup> Local officials from Moundsville as well as State officials from West Virginia have testified that they concur with GHC's assessment of the Moundsville situation and

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<sup>12/</sup> Nonelectric Cooking Ware: Report to the President on Investigation No. TA-201-39 . . ., USITC Pub. No. 1008, November 1979.

<sup>13/</sup> The domestic industry's prehearing brief, pp. 17-20.

believe the firm has acted in "good faith" in its efforts to reopen the plant. 14/ We agree with GHC's assessment that economic conditions prevented a decision to reopen the Moundsville facility during this initial period of relief. 15/ The information presented to the Commission convincingly demonstrates that GHC is making significant adjustment efforts in appropriate areas.

#### Termination of import relief

The Commission has been requested to advise the President of the probable economic effect on the domestic porcelain-on-steel industry of the termination of import relief after 2 years of a scheduled 4-year relief program. 16/ In its section 201 investigation on this subject the Commission determined that porcelain-on-steel cooking ware imports were a substantial cause of serious injury, or the threat thereof, to the domestic industry. In reaching our determination, the Commission cited downturns in sales and employment, underutilization of production capacity, and a resultant decline in profitability.

During the first 18-months of the relief period, imports of porcelain-on-steel cooking ware valued not over \$2.25 per pound have declined

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14/ Transcript of the hearing, pp. 71-86.

15/ Commissioner Frank notes that this investigation was initiated pursuant to the Presidential proclamation of 1980. The fact that GHC has benefited from only 18 months of the scheduled relief may have constrained them, without assurance of continued relief after this investigation, from undertaking the sizable capital investment and other allocation of resources required to acquire and reactivate the facility in Moundsville, W. Va.

16/ This "interim review" of a 4-year relief package requires the Commission to assess changes and adjustment efforts based on only 18 months of data. Adjustment efforts are merely beginning as one would expect in so short a period and analyzing changed conditions is hampered by so little data. In the future, it would be preferable to avoid interim reviews where they are likely to be both costly and unproductive for all parties concerned.

significantly, 17/ import prices have generally risen, 18/ and the share of the market accounted for by imports has significantly declined. 19/ In contrast, GHC's domestic shipments have stabilized after a sharp decline from 1979 to 1980, employment has gradually returned to 1979 levels, prices have risen, and profitability has improved. 20/ GHC's share of the U.S. market has increased, but it is here that the underlying weakness of the firm's position in the market is evident. Although GHC's share of the market has increased, the market is smaller than that in the preresult period. The gain in market share was actually the result of GHC's sales declining at a slower rate than the rate of decline in imports. Utilization of capacity has not improved, and, although the firm's profitability has improved, increases in profit were primarily the result of price increases rather than sales increases. Moreover profits were primarily derived from one product group which is highly price sensitive.

GHC has made some efforts toward adjustment, but these efforts are only just beginning to provide real benefits to the firm. Many of these efforts are the initial stages of programs that are based on 4 years of import relief. Although partial implementation of these programs would have some positive impact, the full benefits cannot be realized without implementing all the stages.

Termination of import relief at this time would result in increased price competition in the constricted market for porcelain-on-steel cooking ware.

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17/ Report, p. A-7.

18/ Id., pp. A-33-40.

19/ Id., p. A-7.

20/ Id., p. A-7 and A-20-A-40.

Lower prices, without increased sales volume, especially in the highly price sensitive product group, would adversely affect GHC's profitability which would in turn adversely affect its adjustment efforts already underway.

Reduction or modification of relief

Representatives of importers of porcelain-on-steel cooking ware have proposed changes to the current import relief program. These changes can be characterized as (1) exclusion of products by modifying the price breakpoint which determines the coverage of import relief, (2) exclusion of products through item-by-item classification, and (3) reductions in the level of relief.

Importers offered two proposals to exclude products by modifying the price breakpoint. These proposals were intended to rectify the situation in which, due to exchange rate fluctuations, certain high-priced, high-fashion cooking ware imports have become subject to the additional duties provided by import relief even though they were not subject to the relief as initially implemented. These proposals are not practical solutions to the problem. The first proposal, modification of the breakpoint price to \$1.50, would have the immediate effect of excluding from relief a substantial volume of imports which are clearly competitive with GHC-produced articles. Moreover, it risks further erosion of relief should a subsequent depreciation of the U.S. dollar relative to foreign currencies increase the value of competing imports above the new breakpoint. The second proposal, changing the breakpoint to a thickness criteria (not over 1 mm in thickness) would also result in excluding competitive imports from relief. Further, we understand from conversations with customs officials that the burden of administering a remedy based on

thickness of finished products such as cooking ware would be so great as to be infeasible. Other methods for excluding high-priced, high-fashion cooking ware present similar problems. The Commission considered requests for a modification to exclude high-priced, high-fashion cooking ware. However, we were precluded from doing so by technical problems discussed herein. 21/

Exclusion of products on an individual basis would require a determination that each product did not have a domestically produced equivalent. Data provided during the course of this investigation indicate that most of the items proposed for exclusion do have domestic equivalents. Further, the implementation of such a procedure would require precise definitions of products to be excluded. Claims for exclusion based on differences of design, size, or use would make it extremely difficult to determine whether competitive products existed.

The final proposal offered to the Commission dealt with reducing the level of import relief by eliminating the specific rate of duty on imports valued not over \$2.25 per pound and replacing it with an additional ad valorem

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21/ Commissioner Stern believes that reduction of relief to fully exclude high-priced, high-fashion cooking ware (particularly Dansk Kobenstyle cookware and the Pointerware Imperial Collection) is clearly desirable but appears to be technically infeasible without adversely affecting the domestic industry. Both the importers and the domestic producers testified that Dansk Kobenstyle and the Pointerware Imperial Collection are not directly competitive with domestic products. (Transcript of the Hearing, pp. 88, 155, 173, 200-201.) Moreover, relief as proposed by the Commission in the sec. 201 investigation was specifically designed to exclude such types of high-priced, high-fashion cooking ware.

Pointerware's Cuisine and La Chef lines also have become subject to relief as a result of exchange rate fluctuations. GHC alleges that these imports do compete directly with its new Chateau line. If the President devises a means to exclude high-priced, high-fashion cooking ware, I suggest that he consider whether protection of the Chateau line would be appropriate in light of sec. 203(h)(2) of the Trade Act of 1974.

duty of 5 percent or reducing the specific rates of duty for the third and fourth years of relief to 10 cents per pound and 5 cents per pound, respectively. These proposals would sharply reduce the level of import relief to a point where its effectiveness would be questionable.

GHC has asked that the relief be modified by delaying the reduction scheduled to take effect in January 1982 until January 1983. Should the President decide that such a change is not an increase in the level of relief, it is our view that such a delay is not needed. 22/

#### Conclusion

GHC has made significant efforts to adjust to import competition, but it is just beginning to realize the benefits of these efforts. The market for porcelain-on-steel cooking ware has contracted since the imposition of import relief. The firm's economic health has improved but is highly dependent on a segment of its product line which is especially price-sensitive. Termination of relief at this time would have an adverse economic effect on GHC. Any reduction of or modification in the relief program would either be technically infeasible or would severely undercut the import relief program. We therefore advise that the current import relief be continued as originally proclaimed.

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22/ Section 203(i)(2) of Trade Act of 1974 (19 U.S.C. 2253(i)(2)).

## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On June 26, 1981, the U.S. International Trade Commission instituted investigation No. TA-203-10 under section 203(i)(2) of the Trade Act of 1974 (19 U.S.C. 2253(i)(2)) for the purpose of gathering information in order that it might advise the President of its judgment as to the probable economic effect on the industry concerned of the reduction or termination of import relief presently in effect with respect to cooking ware (except teakettles) of steel, not having self-contained electrical heating elements, enameled or glazed with vitreous glasses, and valued not over \$2.25 per pound, provided for in item 654.02 of the Tariff Schedules of the United States (TSUS). The import relief is in the form of a duty increase provided for in TSUS item 923.60 pursuant to Presidential Proclamation No. 4713 (45 F.R. 3561). 1/ The relief is scheduled to terminate in January 1984.

This import relief was ordered by the President following a Commission investigation under section 201 of the Trade Act of 1974. In that investigation, No. TA-201-39, the Commission unanimously determined that cooking ware of steel, enameled or glazed with vitreous glasses (porcelain), provided for in TSUS item 653.97, was being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. 2/

In conjunction with providing import relief, the President directed the United States Trade Representative (USTR) to request that the Commission provide advice on the probable economic effect on the domestic porcelain-on-steel cookware industry of the termination of import relief after 2 years. Such advice was to include a review of the progress and specific efforts being made by the domestic producer to adjust to import competition.

On June 16, 1981, the Commission received the USTR's request to provide advice on the probable economic effect of termination of import relief. 3/ The Commission instituted the present investigation on the basis of the USTR's request and on its own motion. This action enabled the Commission to provide advice on the effect of reduction of import relief as well as the effect of termination. Public notice of the investigation and the hearing to be held in connection therewith was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of July 8, 1981 (46 F.R. 35395). 4/

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1/ Copies of Presidential Proclamation No. 4713 and a subsequent Presidential Memorandum on the same subject are presented in app. A.

2/ Nonelectric Cooking Ware: Report to the President on Investigation No. TA-201-39, USITC Publication 1008, November 1979.

3/ A copy of the USTR's letter is presented in app. B.

4/ A copy of the Commission's notice of investigation and public hearing is presented in app. C.

A public hearing in connection with this investigation was held on September 14, 1981, in the Commission's hearing room in Washington, D.C. 1/ The Commission's administrative deadline for transmitting its advice to the President was October 28, 1981.

The information in this report was obtained from fieldwork, questionnaires sent to the domestic producer and importers, from responses to the Commission's questionnaires in connection with the semiannual and annual surveys on nonelectric cooking ware of steel (investigation No. 332-111), the Commission's files, other Government agencies, information received at the hearing, briefs filed by interested parties, and other sources.

### Description and Uses

The products covered by this investigation are cooking ware of steel, except teakettles, not having self-contained electrical heating elements, and enameled or glazed with vitreous glasses. For purposes of this investigation, such articles will be referred to as porcelain-on-steel cooking ware.

For purposes of analysis in this report, porcelain-on-steel cooking ware is divided into three groups of products. The first of these groups, utility cooking ware, consists of skillets, saucepans, double boilers, and other assorted types of pots, constructed of thin-gauge steel, with metal handles. These products are offered in basic colors, usually white with black trim or speckled white and blue. A second group, special-purpose cooking ware, consists of roasters, stockpots, canners, blanchers, and other unique types of cooking ware. This product group is characterized by slightly thicker gauges of steel and is generally offered with the speckled white and blue coating. The final group is fashion cooking ware, which is highly decorative, made of heavy-gauge steel, usually with stainless steel rims and phenolic handles. Teakettles are usually offered to compliment fashion cooking ware sets.

The fusing process for porcelain-on-steel results in a nonporous, glass cooking surface which makes the cooking ware sanitary and easy to clean. However, this surface is susceptible to cracks and chips. A major advantage of porcelain-on-steel cooking ware is that, unlike other cooking ware materials, it can be fabricated economically into large-capacity vessels, such as roasters and stockpots.

Each type of porcelain-on-steel cooking ware is manufactured by the same process, although the quality of both the steel body and the porcelain finish will vary from group to group. The first production step is the drawing of steel blanks into the desired utensil shape. The steel body is then etched with acid, cleaned with a caustic agent, and treated with nickel. Base coats and color coats of porcelain enamel are applied using custom-built equipment which applies different inside and outside colors at high rates of speed. A firing operation follows the application of each coat. Decals can then be fused to the final color coat. Porcelain enamel is essentially a highly durable glass which, with coloring oxides and other inorganic materials, is

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1/ A list of witnesses appearing at the hearing is presented in app. D.

fused to the steel body at extremely high temperatures, exceeding 1,400 degrees Fahrenheit. Fusing at this high temperature results in brilliant colors which cannot be attained with most other types of cooking ware. For example, the fusing process for coating aluminum must be accomplished at considerably lower temperatures because aluminum melts at about 1,200 degrees. Fusing at the lower temperatures results in muted colors.

In addition to porcelain-on-steel, cooking utensils are also made from cast aluminum, stamped aluminum, cast-iron, porcelain-enameled iron, stainless steel, tin, copper, glass, and ceramic materials.

#### U.S. Tariff Treatment

The imported porcelain-on-steel cooking ware covered by this investigation is provided for in item 654.02 of the Tariff Schedules of the United States (TSUS). The column 1 or most-favored-nation (MFN) rate was 3.2 percent ad valorem as of January 1, 1981. The rate which is applicable to products of the least developed developing countries (LDDC) designated in general headnote 3(d) of the TSUS, was 2.7 percent ad valorem, and the column 2 rate applicable to countries receiving other than MFN or LDDC treatment was 35.5 percent ad valorem. <sup>1/</sup> Presidential Proclamation 4713 provided for a separate statistical breakout in the TSUS for porcelain-on-steel cooking ware valued not over \$2.25 per pound. The rate of duty for imports of these items, which is provided for in item 654.0224 of the Tariff Schedules of the United States Annotated (1981) (TSUSA), was temporarily modified by TSUS item 923.60 to provide for additional duties of 20 cents per pound effective on or after January 17, 1980. These additional duties are to be reduced to 15 cents per pound on or after January 17, 1982, and to 10 cents per pound on or after January 17, 1983. <sup>2/</sup> Import relief is scheduled to terminate in January 1984. During this period, eligibility under the Generalized System of Preferences (GSP) and the LDDC provision is suspended for imported articles entered under TSUSA item 654.0224.

#### U.S. Market

##### U.S. producer

Since 1978, the General Housewares Corp. (GHC), of Terre Haute, Ind., has been the only U.S. producer of porcelain-on-steel cooking ware. GHC is a large, publicly held corporation with executive offices in Stamford, Connecticut. The corporation's cookware group manufactures and markets cooking ware in a broad range of price, color, and design. Porcelain-on-steel cooking ware is produced in Terre Haute, Ind.; cast-iron and cast-aluminum

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<sup>1/</sup> The col. 2 rate, pursuant to item 923.60, may not be less than the applicable MFN rate assessed under that item; i.e., it may vary from 35.5 percent to 53.3 percent ad valorem.

<sup>2/</sup> The total duty collected on MFN imports may not exceed 53.3 percent ad valorem.

cooking ware are produced in Sidney, Ohio. GHC also holds an option to purchase the assets, including the factory, of a former domestic producer of porcelain-on-steel cooking ware, U.S. Stamping Co., of Moundsville, W. Va. The lease/purchase option is effective through January 31, 1982. To date GHC has not exercised its option and the Moundsville facility is inactive.

The corporation also has a giftware group which manufactures and markets a variety of decorative and novelty candles. This group also imports and markets products such as coffee mugs, canister sets, and ceramic pieces. Until 1980, the corporation also had a leisure furniture group which produced wrought iron outdoor furniture. The assets of this group were sold during 1980.

GHC's sales of porcelain-on-steel cooking ware totaled \* \* \* million in 1980, or about \* \* \* percent of its total cookware group sales in that year. The following table sets forth the net sales of each of the firm's product groups for the years 1978-80.

General Housewares Corp.: Net sales, by product groups, 1978-80

(In thousands of dollars)

Item	Year ending Dec. 31--		
	1978	1979	1980
Cooking ware-----	32,457	36,482	40,031
Giftware-----	15,205	18,600	21,891
Total-----	47,662	55,082	61,922

Source: Annual reports of General Housewares Corp.

Major importers

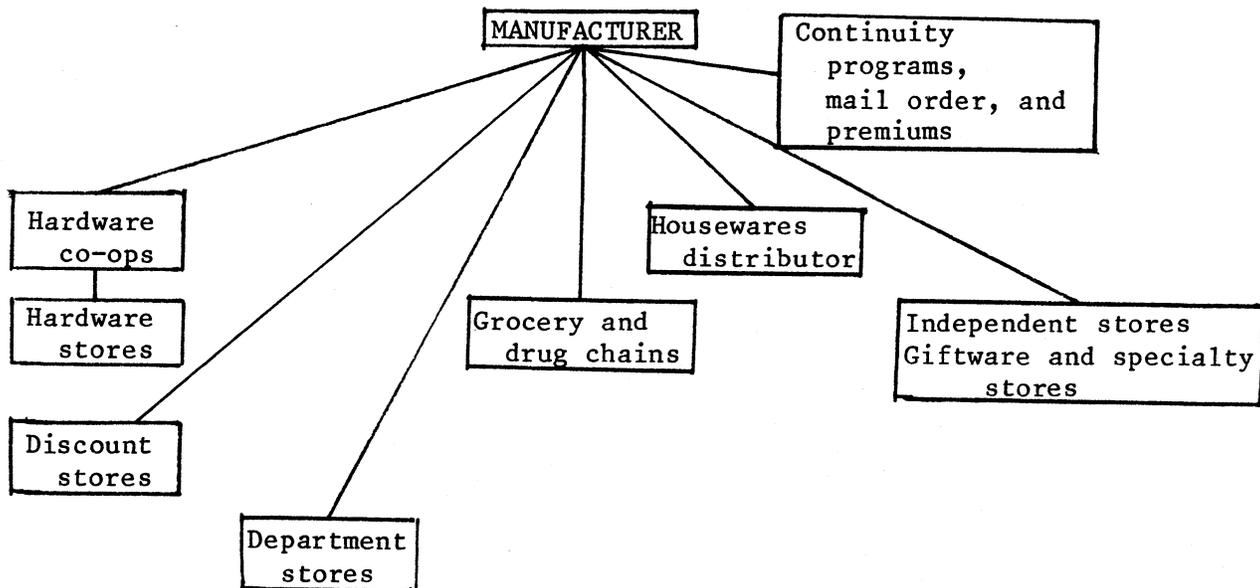
U.S. importers of porcelain-on-steel cooking ware include large domestic cooking ware producers such as the West Bend Co., mail-order operations such as Spiegel, Inc., and mass-merchandisers such as F.W. Woolworth Co. Such cooking ware is also imported by firms specializing in store promotions as well as traditional importers-distributors, and small retailers.

The type of cooking ware imported varies considerably according to the importer. A large cooking ware producer like West Bend offers its customers a wide variety of cooking ware. It imports porcelain-on-steel cooking ware, especially fashion-sets, to supplement its lines of domestically produced items. A mass merchandiser such as Woolworth brings in utility, and special-purpose items, as well as fashion cooking ware. Small retailers tend to restrict themselves to high-quality fashion sets or unique special-purpose items.

Channels of distribution

The channels of distribution used to market porcelain-on-steel cooking ware include those generally used in the marketing of consumer products plus one rather unique channel--continuity programs or promotions. The distribution channels for cooking ware are shown in the following diagram.

Figure 1.--Nonelectric cooking ware channels of distribution.



The use of distributors and co-ops is frequently employed in the marketing of consumer products. These channels enable the small independent retailer or small chain retailer to participate in the market when his buying power is so small that direct orders to a manufacturer are not possible. Other outlets, such as grocery chains, for which sales of cooking ware are an insignificant percent of their total sales volume, often do not order merchandise directly but contract with a rack-jobber. Rack-jobbers order and maintain stock, arrange displays and accept returns of unsold merchandise from the grocery chain.

Continuity programs, mail orders, and premiums are somewhat unique distribution channels. Continuity programs are usually associated with grocery stores and are primarily aimed at drawing customers into the store rather than selling cooking ware. The product offered is usually a fashion cooking ware set of 7 or 10 pieces, which is offered for sale at sharply reduced prices, but only one piece at a time. The program may run 6 months and thereby attract return customers to the grocery store. Buyers for grocery chains try to vary the type of fashion cooking ware used for promotions and often use other products such as ceramic tableware, stainless steel flatware, glassware, and so forth. Porcelain-on-steel fashion cooking ware sets are often selected as promotion items owing to their decorative characteristics. However, the increase in prices of porcelain-on-steel cooking ware, both domestic and imported, since the imposition of import relief has made these items less attractive to buyers for use in promotions. The advantage to the manufacturer in producing merchandise for promotions is the large volume of the sale which enables him to make long production runs, thereby lowering unit costs. Large-volume sales to mail-order and premium stores also make this same cost saving available to the manufacturer.

Direct sales to department stores and discount chains are also an important channel of distribution. Here the emphasis is on volume and profit margin. The manufacturer must be able to provide the necessary volume at a price that will enable the retailer to obtain his required markup. Since this markup will vary with the type of outlet, the manufacturer must be able to offer articles in a number of price ranges or price points.

Importers participate in the U.S. market primarily through distributors, department stores, and through continuity programs. Domestic producers enjoy at least two significant advantages over import competition in the wholesale market--a close historical relationship with wholesale distributors and shorter delivery leadtime. These advantages, however, diminish in the marketing of the low- and middle-price cooking ware to high-volume retail outlets, where price is the overriding consideration.

#### Apparent consumption

In 1980, over \* \* \* million units of low- to medium-priced porcelain-on-steel cooking ware (valued not over \$2.25 per pound) were sold in the U.S. market. Apparent consumption of such articles in January-June 1981 was slightly lower than that reported in the corresponding period of 1980, as shown in table 1. Apparent consumption in 1980 was valued at \* \* \* million. GHC's share of this market increased from \* \* \* percent in 1980 to almost \* \* \* percent in January-June 1981.

Table 1.--Porcelain-on-steel cooking ware (valued not over \$2.25 per pound): 1/ Domestic shipments, imports, and apparent consumption, 1980, January-June 1980, and January-June 1981

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

Period	Domestic shipments		Imports		Apparent consumption	Ratio of--	
	(1)	2/	(2)	3/	(3)	(1) to (3)	(2) to (3)
Quantity							
1980-----	***		4,991		***	***	***
January-June--							
1980-----	***		2,845		***	***	***
1981-----	***		2,019		***	***	***
Value							
1980-----	***		11,531		***	***	***
January-June--							
1980-----	***		6,729		***	***	***
1981-----	***		4,157		***	***	***

1/ Does not include teakettles.

2/ All domestic products reported were valued \* \* \*.

3/ Import data for January-June 1980 were compiled from official statistics of the U.S. Department of Commerce, as adjusted by the U.S. International Trade Commission.

Source: Domestic shipments compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports compiled from official statistics of the U.S. Department of Commerce, except as noted.

Consumption of all types of porcelain-on-steel cooking ware (including teakettles and cooking ware valued over \$2.25 per pound) declined \* \* \* percent from 1979 to 1980 and continued to decline in 1981 as shown in table 2. GHC's position in the overall porcelain-on-steel market improved after 1978. In that year GHC accounted for approximately \* \* \* percent of all porcelain-on-steel cooking ware sold in the United States, including teakettles and high-priced cooking ware. By 1980, GHC's share increased to \* \* \* percent and continued to increase in January-June of 1981 to \* \* \* percent.

Table 2.-- Porcelain-on-steel cooking ware: 1/ Domestic shipments, imports, and apparent consumption, 1978-80, January-June 1980 and January-June 1981

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

Period	Domestic shipments (1)	Imports 2/ (2)	Apparent consumption (3)	Ratio (percent) of (2) to (3)
Quantity				
1978-----	***	19,690	***	***
1979-----	***	17,165	***	***
1980-----	***	9,467	***	***
January-June--				
1980-----	***	5,047	***	***
1981-----	***	3,907	***	***
Value				
1978-----	***	39,836	***	***
1979-----	***	44,421	***	***
1980-----	***	34,479	***	***
January-June--				
1980-----	***	17,875	***	***
1981-----	***	12,678	***	***

1/ Includes teakettles and cooking ware valued over \$2.25 per pound.

2/ Import data for 1978, 1979 and January-June 1980 were compiled from official statistics of the Department of Commerce, as adjusted by the U.S. International Trade Commission.

Source: Domestic shipments compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports compiled from official statistics of the U.S. Department of Commerce, except as noted.

Although separate import data for imports valued not over \$2.25 per pound were only available beginning in 1980, it can be assumed that the \* \* \* percent decline in consumption of all porcelain-on-steel cooking ware could be partially attributed to a sharp decline in imports of cooking ware affected by the relief. In order to examine the impact that the increased tariff had on domestic consumption of porcelain-on-steel cooking ware (valued not over \$2.25 per pound), the Commission contacted the buyers or merchandise managers of 17 of the retail outlets it had surveyed during investigation No. TA-201-39. The outlets included department stores, hardware stores, grocery stores, and showroom (catalog) outlets which sell low- and medium-price porcelain-on-steel cooking ware.

Each of the buyers contacted was asked to describe the changes in the price points (retail selling prices) of porcelain-on-steel that had occurred

during 1979-1981; the impact these changes had on their sales; and subsequent changes the store has made in the sources and types of cooking ware it carries.

Of the outlets surveyed, 10 reported stocking utility and/or special-purpose porcelain-on-steel cooking ware in 1979. In that year, six of these buyers purchased some or all of their porcelain-on-steel cooking ware offshore (largely from Mexico). In 1981, only two of the six purchased any imports. The other four stores (with the exception of one store which no longer stocks utility or special-purpose porcelain-on-steel) now offer only porcelain-on-steel cooking ware produced by GHC. These buyers attributed the change in their sourcing pattern to an increase in the price of the imports.

Fashion cooking ware was purchased in 1979 by 14 of the buyers contacted by the Commission. Nine of these buyers only purchased imported porcelain-on-steel; buyers at the remaining stores purchased at least a portion of their stock from GHC. For the nine stores which only sold imported porcelain-on-steel in 1979, two buyers reported switching some of their fashion porcelain-on-steel purchases to GHC by 1981 and one buyer continued to select only imports. The remaining six stores no longer offer porcelain-on-steel cooking ware for sale. The buyers for these stores had purchased comparatively low- to medium-price (valued not over \$2.25 per pound) cooking ware from Spain, Romania, the United Kingdom, Taiwan, and Korea which appealed to price conscious customers. The buyers reported that price increases in 1980 were so large that they could not pass them on to their customers and maintain an adequate return on their sales. As a result, these buyers stopped purchasing porcelain-on-steel cooking ware and dropped this product line from their cookware offerings.

A majority of the buyers contacted indicated that there has been a decline in their overall sales of porcelain-on-steel cooking ware during the 1979-81 period. (One of the few stores who did not report a decline in their overall sales of porcelain-on-steel attributed it to their location in the South where porcelain-on-steel is a traditional type of cooking ware; another firm was rapidly expanding its business operations.) The buyers attributed the decrease in porcelain-on-steel sales to such factors as (1) a general decline in the economy; (2) a decline in the population of those groups which have traditionally used porcelain-on-steel cooking ware (e.g. "ethnic" groups); (3) the increase in the price of porcelain-on-steel; or (4) the introduction of Silverstone coated cooking ware. 1/

The decline in consumption of porcelain-on-steel cooking ware parallels the downward trend for all metal cooking ware between 1979 and 1980. The Metal Cookware Manufacturers Association (MCMA) provided data which indicates an overall decline in the market for nonelectric metal cooking ware from 281 million units, valued at \$841 million, in 1979 to 254 million units, valued at \$843 million, in 1980, representing a decline of 10 percent in terms of units sold. 2/

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1/ Silverstone is a nonstick coating developed by E.I. du Pont de Nemours and Co., which is usually applied to stamped aluminum cooking ware.

2/ Detailed data on imports and consumption of nonelectric metal cooking ware are presented in app. E.

## U.S. Imports

Data on imports of porcelain-on-steel cooking ware were not separately reported in official statistics of the U.S. Department of Commerce prior to February 1980. At that time, statistical breakouts were provided in the TSUSA for porcelain-on-steel cooking ware, except teakettles, valued not over \$2.25 per pound and all other cooking and kitchen ware of porcelain-on-iron or porcelain-on-steel, including teakettles. In April 1980, the current TSUSA breakouts were introduced which provided for separate reporting of porcelain-on-steel teakettles, cooking ware valued not over \$2.25 per pound, and cooking ware valued over \$2.25 per pound. The import data presented in the following tables were developed by adjusting official import statistics for 1978, 1979, and January-March 1980. Unadjusted statistics are used for all other time periods.

The data on imports of porcelain-on-steel cooking ware (including teakettles) for 1978 and 1979 were estimated on the basis of data collected by the Commission during investigation No. TA-201-39. The percentages of porcelain-on-steel imports (including teakettles) to total imports of porcelain-on-iron and porcelain-on-steel were estimated on the basis of data reported by importers of enameled iron and steel and collected from import entry documents. These percentages were applied to the official statistics compiled by the U.S. Department of Commerce. The data on imports of teakettles, porcelain-on-steel cooking ware valued not over \$2.25 per pound and porcelain-on-steel cooking ware valued over \$2.25 for January-March 1980 were estimated on the basis of import trends shown by the official import statistics subsequent to the breakout of the current TSUSA items made in February and April 1980. Estimates were derived separately for Japan, Mexico, Taiwan, Spain, and all other countries.

As shown in table 3, imports of porcelain-on-steel cooking ware valued not over \$2.25 per pound (covered by import relief) declined about 30 percent in quantity from January-June 1980 to January-June 1981. The average unit value of these imports declined sharply in 1981 resulting in a 38-percent decline in the overall value of imports in January-June 1981.

The principal sources of these imports in 1980 were Mexico (30 percent of units imported), Taiwan (19 percent), Spain (16 percent), and Japan (13 percent). Significant quantities of such cooking ware were also imported from Eastern bloc countries, such as Poland and Romania. Prior to the imposition of import relief in 1980, Italy and Korea were also important sources of low- to middle-price porcelain-on-steel cooking ware. Cooking ware from Italy, which was an important factor in the food continuity market prior to 1980, has virtually disappeared from the U.S. market. Imports from Korea which had grown sharply in the years prior to import relief dropped to less than 20,000 units in January-June 1981. 1/

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1/ Detailed data on imports from these countries are presented in app. E.

Table 3.--Porcelain-on-steel cooking ware 1/: U.S. imports for consumption, by principal sources, 1980, January-June 1980, and January-June 1981

Source	1980 <u>2/</u>	January-June--	
		1980 <u>2/</u>	1981
Quantity (1,000 units)			
Mexico-----	1,483	859	568
Taiwan-----	944	597	425
Spain-----	799	459	572
Japan-----	669	402	126
All other-----	1,095	528	328
Total-----	4,991	2,845	2,019
Value (1,000 dollars)			
Mexico-----	2,440	1,309	898
Taiwan-----	1,978	1,086	1,072
Spain-----	2,720	1,740	1,367
Japan-----	1,953	1,219	333
All other-----	2,440	1,375	487
Total-----	11,531	6,729	4,157
Unit value (per unit)			
Mexico-----	\$1.65	\$1.52	\$1.58
Taiwan-----	2.10	1.82	2.52
Spain-----	3.40	3.79	2.39
Japan-----	2.92	3.03	2.64
All other-----	2.23	2.60	1.48
Total-----	2.31	2.37	2.06
Unit value (per pound)			
Mexico-----	\$1.34	\$1.20	\$1.14
Taiwan-----	1.24	1.00	1.29
Spain-----	1.42	1.41	1.36
Japan-----	1.71	1.57	1.41
All other-----	1.29	1.18	1.24
Total-----	1.38	1.26	1.28

1/ Includes only cooking ware (except teakettles) valued not over \$2.25 per pound entered under TSUSA item 654.0224.

2/ Compiled from official statistics of the U.S. Department of Commerce, as adjusted by the U.S. International Trade Commission.

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

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

The composition of U.S. imports varied considerably between the major foreign sources. Imports from Taiwan, Spain, and Japan were primarily seven-piece fashion sets. Cooking ware imported from Mexico was concentrated in the utility and special-purpose categories. All imports from Poland and Romania were in the utility category.

Testimony was presented at the Commission's public hearing concerning the issue of comparability between certain cookware imports and domestically produced items. Importers of Mexican porcelain-on-steel cooking ware stated that there were numerous items produced in Mexico which were not available from any other source including the domestic producer. 1/ 2/

Counsel for importers of porcelain-on-steel cooking ware from France and Israel advised that their clients' products were not like or directly competitive with domestic cooking ware and should not be covered by import relief. Dansk Designs International, an importer of French cooking ware, claimed that the product it imported was high-fashion cooking ware which was originally excluded from import relief. 3/ Because of the strengthening of the U.S. dollar in relation to the French franc, a substantial share of imports from France are now valued at less than \$2.25 per pound and therefore subject to the additional duty provided for by import relief. According to official Commerce statistics, 12 percent of all porcelain-on-steel cooking ware units imported from France in January-June 1981 were valued at not over \$2.25 per pound. Pointerware of America, an importer of porcelain-on-steel cooking ware from Israel, also markets a high-fashion product in the United States. 4/ Although the product has a high unit value it also has high unit weights. Because of this ratio of value to weight, individual items in the Pointerware line can fall below the \$2.25 per pound breakpoint even though their retail prices are considerably higher than those of GHC.

The imposition of import relief in January 1980 resulted in reclassification of porcelain-on-steel cooking ware imports into three categories--teakettles, cooking ware valued at or below \$2.25 per pound, and that valued over \$2.25 per pound. As shown in table 4, total porcelain-on-steel cooking ware imports (i.e. all three categories) declined by 45 percent in terms of quantity between 1979 and 1980 and continued to decline in 1981. Several reasons for this decline have been offered. The imposition of import relief resulted in average additional duty costs of 20 to 25 percent for most importers of cooking ware valued not over \$2.25 per pound. Imports from Mexico, Taiwan, and Korea, which had been entered free of duty prior to January 1980 under the provisions of the Generalized System of Preferences (GSP), lost their GSP status when import relief was proclaimed, resulting in a 3.2-percent duty being assessed on imports from these countries. The increased cost of importing cooking ware was passed on through higher prices which resulted in a decline in consumer demand.

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1/ A detailed list of these products was supplied by counsel for the Mexican importers and exporters and is included in app. F.

2/ See hearing transcript, pp. 233 and 237.

3/ See hearing transcript, p. 201.

4/ Ibid, pp. 149, 152, 154 and 155. Although Pointerware is currently taking orders for its new, high-priced cooking ware lines, very few of these items were imported since the imposition of import relief.

Table 4.--Porcelain-on-steel cooking ware: 1/ U.S. imports for consumption, by principal sources, 1978-80, January-June 1980, and January-June 1981

Source	January-June--				
	1978 <u>2/</u>	1979 <u>2/</u>	1980 <u>2/</u>	1980 <u>2/</u>	1981
Quantity (1,000 units)					
Japan-----	3,592	3,144	2,899	1,273	1,364
Mexico-----	2,104	2,592	1,556	893	602
Taiwan-----	2,998	2,196	1,447	862	590
Spain-----	2,691	4,679	1,193	726	644
All other-----	8,305	4,554	2,370	1,293	707
Total-----	19,690	17,165	9,467	5,047	3,907
Value (1,000 dollars)					
Japan-----	10,149	10,736	12,203	5,081	5,857
Mexico-----	2,178	2,622	2,581	1,361	978
Taiwan-----	4,480	4,439	3,381	1,586	1,775
Spain-----	6,616	13,564	4,325	2,843	1,648
All other-----	16,409	13,060	11,990	7,004	2,420
Total-----	39,832	44,421	34,479	17,875	12,678

1/ Includes all types of porcelain-on steel cooking ware including teakettles.

2/ Official Commerce statistics, as adjusted by staff of the U.S. International Trade Commission.

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

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

Another factor contributing to this decline in demand was the discontinuation of porcelain-on-steel cooking ware as a promotional item. Price increases made porcelain-on-steel cooking ware less attractive as a promotional item and therefore subject to replacement by other types of cooking ware or other consumer products.

The negative impact that the increased cost of porcelain-on-steel had on demand was supported by the survey of retail stores. The buyers contacted by the Commission indicated that for their customers for whom the retail price point was the key factor behind their purchasing decision, the increase in the price of porcelain-on-steel cooking ware led to a decline in their purchases. Several buyers reported that such customers shifted their purchases to low-priced imports of stamped aluminum which sell at price points lower than those of porcelain-on-steel.

Competition from other types of cooking ware was another factor which affected demand. The buyers contacted by the Commission indicated that cooking ware coated with Silverstone (usually stamped aluminum) greatly increased its share of the total U.S. market for cooking ware during 1979-81. The buyers reported that there is a trend towards consumers purchasing "quality" cooking ware: Silverstone-coated cooking ware is perceived as a "high-price" quality item; porcelain-on-steel (other than high-priced "fashion" imports from France, Germany, and Austria) is not. Of the 17 buyers contacted by the Commission, 11 stated that their customers view porcelain-on-steel as a low-quality product that often chips with use; 2 indicated that their customers thought of fashion porcelain-on-steel as a higher quality product than utility or special-purpose porcelain-on-steel; 4 buyers did not comment. One buyer observed that the increase in the price of porcelain-on-steel cooking ware had moved the product into the price range of quality cooking ware. At these price ranges, according to the buyer, customers prefer to shift from porcelain-on-steel to a comparably priced (or even slightly higher priced) product which they perceive as durable and of good quality.

A final factor influencing the level of imports was the previously noted overall decline in consumption of all types of nonelectric metal cooking ware in the U.S. market.

The trend in imports of the two classes of porcelain-on-steel cooking ware not subject to import relief -- teakettles and cooking ware valued over \$2.25 per pound -- was downward in 1980 and 1981. The quantity of teakettle imports, which represented about 25 percent of the total porcelain-on-steel units imported in 1980, decreased slightly in January-June 1981 compared with those in January-June 1980 (table 5). Japan was the principal source of such imports accounting for over 75 percent of the quantity of total imports in 1981. Imports of porcelain-on-steel cooking ware valued over \$2.25 per pound represented over 20 percent of total units imported in 1980. Imports of these items, which were principally from Japan and France, declined over 27 percent in January-June 1981 compared with those in January-June 1980.

Table 5.--Porcelain-on-steel cooking ware: U.S. imports for consumption, by types, 1980, January-June 1980, and January-June 1981

Item	1980 <sup>1/</sup>	January-June--	
		1980 <sup>1/</sup>	1981
	Quantity (1,000 units)		
Teakettles-----	2,493	1,111	1,099
Cooking ware:			
Valued not over \$2.25 per pound-----	4,991	2,845	2,019
Valued over \$2.25 per pound-----	1,983	1,091	789
Total-----	9,467	5,047	3,907
	Value (1,000 dollars)		
Teakettles-----	10,917	4,622	4,999
Cooking ware:			
Valued not over \$2.25 per pound-----	11,531	6,729	4,157
Valued over \$2.25 per pound-----	12,031	6,524	3,523
Total-----	34,479	17,875	12,678
	Unit value (per unit)		
Teakettles-----	\$4.38	\$4.16	\$4.55
Cooking ware:			
Valued not over \$2.25 per pound-----	2.31	2.37	2.06
Valued over \$2.25 per pound-----	6.07	5.98	4.47
Total-----	3.64	3.54	3.24

<sup>1/</sup> Official Commerce statistics, as adjusted by the U.S. International Trade Commission.

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

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

### Producer's Efforts to Compete

GHC has one plant producing porcelain-on-steel cooking ware in Terre Haute, Ind. The manufacture of such cooking ware tends to be highly energy intensive. The company's principal adjustment effort was directed toward reducing its energy cost, which in 1980 amounted to about \* \* \*, by means of a new \* \* \* furnace system. Another important effort was the development of an \* \* \* process for forming bulge-shaped product lines. Detailed data concerning these two projects as well as several other miscellaneous production related projects were provided by GHC in its questionnaire response and discussed at the Commission's public hearing. The firm's summary of its efforts as presented in its prehearing brief, 1/ was as follows:

#### New furnace system and manufacturing process

The largest capital project of GHC's adjustment plan is to replace the three conventional muffle furnaces at the Terre Haute plant with \* \* \* furnaces. These new furnaces, never before applied to the production of cookware, are projected to reduce energy consumption by \* \* \* percent, to reduce product defects by \* \* \* percent, to strengthen the bond of the porcelain to the steel, thus reducing chipping, to brighten the glaze and brilliance of colors, and to produce a more uniform and smoother cover coat texture.

The first furnace, after unanticipated delays in delivery, was ready for production in March of 1981. \* \* \* additional furnaces are scheduled for installation in \* \* \*. These \* \* \* furnaces should be fully integrated for production of \* \* \* cookware by \* \* \*. If import relief continues through 1983, GHC plans to install \* \* \* furnaces by late \* \* \* for manufacture of \* \* \*.

If import relief remains in effect during 1982 and 1983, and if sales volume of decorated cookware, including bulge shaped products, increases as anticipated, the new \* \* \* furnaces will also be purchased for use at GHC's Moundsville facility.

\* \* \* \* \*

The cookware market, like any other consumer product market, is subject to ever-changing consumer preferences. Decorated porcelain-on-steel cooking ware is even more prone to those changes since its appeal lies in its appearance rather than its function. In late 1978 and early 1979 consumer demand was shifting from straight-sided cooking ware to items with curved or "bulged"

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1/ Prehearing brief of the domestic industry, pp. 9-17.

sides. During that period this demand was satisfied by imports from Europe and Asia. During the relief period, GHC has \* \* \*. The following is a summary of GHC's efforts in this area as presented in its prehearing brief.

#### Automatic process for forming bulge-shaped product lines

The second most important production related aspect to GHC's adjustment plan is its development of an automatic process for forming bulge shaped product lines. During the adjustment period, sales of imported bulge shaped decorated cookware have continued to impede GHC's efforts to increase its share of the decorated segment of the porcelain on steel cookware market. GHC accordingly accelerated its efforts to develop a line of decorated cookware featuring a bulged contour to the body shape.

The manufacturing process used by foreign producers to form the body of bulge shaped cookware is labor intensive, involving five or six operations. GHC initiated the development of a new mechanized process for trimming, beading, and bulging the cookware body shape. GHC ordered the process in September of 1980 and installed it in the Terre Haute plant in March of 1981.

After testing and major redesign, pilot production of bulge shaped product commenced in June of 1981. The new automatic process will yield significant sales opportunities in the latter part of the relief period, as new bulge shaped product lines are introduced in 1982 and 1983.

Although this new machine should allow GHC to offer the consumer a higher quality product which is currently in demand, shipments of the new line called Chateau did not begin until August of 1981. Consumer reaction to the product will not be apparent for some time.

#### Miscellaneous production related projects

Many of GHC's miscellaneous production projects were relatively low-cost efforts which did not require large outlays of capital. Two projects, \* \* \*, did not directly relate to the type of cooking ware covered by import relief but reflected efforts to expand both product offerings and uses for the enameling operations of the firm. <sup>1/</sup> The following summary of these miscellaneous projects was presented in GHC's prehearing brief.

As described in its questionnaire response, GHC's other production related adjustment efforts include the following:

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<sup>1/</sup> GHC has committed \* \* \* project. The Economic Development Administration (EDA) of the Department of Commerce contributed an additional \$45,000. \* \* \*

- (a) Refinement of process for application of ICI non-stick coating to porcelain on steel cookware;
- (b) Joint project with DuPont to develop a process for applying the non-stick Silverstone surface to porcelain on steel cookware [the joint project was unsuccessfully concluded in July 1980];
- (c) An EDA technical assistance project to develop a process for \* \* \*;
- (d) An EDA technical assistance project to develop \* \* \*;
- (e) Development of a system for reducing the cost of ground coat enamel while improving bond by using \* \* \*;
- (f) Development of \* \* \*, which improve the bond of the porcelain to the steel shape, which enrich the product appearance by eliminating the need to put beading enamel around the rim of the vessel, and which reduces energy consumption;
- (g) New recovery systems for waste enamel;
- (h) Less expensive packaging;
- (i) Automatic trim and bead operations;
- (j) Improved conveyerization of decorated enamelware;  
and
- (k) Improved quality control through addition of ceramic engineer, improved floor supervision, and computerized reporting systems.

Adjustment efforts to improve marketing

In addition to production related changes, the firm also instituted a number of programs to improve the marketing of its product. The following is GHC's summary of such efforts as presented in its prehearing brief.

As imports increased their share of the U.S. market from 1974 to 1978, GHC had no incentive to increase product development efforts given the declining trend of its porcelain on steel business. Based on the proclamation of four years of temporary import protection, GHC has commenced a major effort to reposition the company to be cost and feature competitive with imported products by January of 1984.

New product introductions will increase significantly in 1982, 1983 and 1984 as GHC begins to realize the cost savings, improved product quality, and reduced manufacturing constraints on design stemming from ongoing production related adjustment efforts.

Development of new decorated product lines.--The most significant new product lines to be introduced by GHC during the adjustment period will be bulge shaped. GHC introduced Chateau, its first bulge shaped product line, at the January 1981 Housewares show and began shipments in June of 1981. If import relief continues in 1982 and 1983, as anticipated, bulge shaped product lines are projected to substantially increase GHC's share of the decorated segment of the porcelain on steel cookware market.

Other decorated product lines already introduced as part of GHC's adjustment program include the following:

- (a) The Grey Line -- four better quality speciality items for distribution in department and cookware specialty stores;
- (b) Christmas Collection -- a home entertainment collection of five items with insulated cloth (cozy) serving wraps;
- (c) Country Lane Floral -- non-stick 10 and 21 piece sets, for mail order distribution channels;
- (d) Fancipans -- matching the Wallace Stoneware dinner-ware pattern, a food continuity item;
- (e) Italian Line -- a six item line for better retail outlets applying a new chip resistant pure color enamel;
- (f) Boutique Golden Wheat -- a country theme introduced for mass merchants in both 5 and 7 piece sets; and
- (g) General Store -- an updated theme pattern with non-stick coating.

GHC has commissioned a top U.S. design firm to develop 20 new decorated patterns and to develop new configurations and colors of handles, knobs, and rims, based upon extensive market research and evaluation of GHC's manufacturing constraints. These new designs are currently being evaluated through consumer testing. GHC has also signed a product development contract with another company for development of several additional home entertainment collections of cookware for possible 1982 introduction.

The implementation of GHC's \* \* \* furnace system for production of \* \* \* cookware by mid-\* \* \* will enhance GHC's ability to make better quality offerings of \* \* \* products.

Development of new utility and speciality product lines.--GHC's market research has indicated that a broader assortment of colors in Graniteware would be successful. GHC has recently introduced Bright Brown and Blue Saucepan Sets and Teakettles in a one enamel layer application, allowing a retailer to hit the popular price points. During the relief period GHC has also introduced Decorated Graniteware for promotion in department stores. The best selling specialty items have been enhanced by adding two color decorations.

Additional product offerings already introduced in the utility and specialty categories include the following:

- (a) Roaster Kits -- which include all necessary components for a complete roasting job;
- (b) Bake and Broil Kits -- a combination lasagna pan and rack for baking and broiling;
- (c) Chili Sets -- Chili pot, bowls, plates, chili mix, etc., for merchandising by mass merchants; and
- (d) Canner Kits -- all necessary components for canning.

\* \* \*.--GHC estimates that \* \* \* represent about \* \* \* percent or over \* \* \* million, of the wholesale value of the porcelain on steel cookware market. GHC's sales of \* \* \* now run less than \* \* \* per year. In conjunction with the \* \* \* project, GHC has commissioned a design firm to determine the most popular shape and best design for a \* \* \* introduction. Given the size and the projected growth of this segment of the porcelain on steel cookware market, this project could be a significant aspect of GHC's adjustment program.

New promotional and merchandising programs.--As set forth in its questionnaire response, GHC has also implemented a program to strengthen its share of market with department stores, gourmet specialty shops, supermarkets, and catalog showrooms. These marketing channels, less responsive to the lower prices of lower quality imports, offer GHC an opportunity for expanding its sales base over the long run. Improved product quality resulting from production related adjustment efforts, together with the enhancement of porcelain on steel's quality image as more and more foreign producers sell products valued over \$2.25 per pound, will facilitate this shift in distribution emphasis over the long run and afford GHC better insulation against a surge of lower-priced imports.

GHC has stated that it has used the period of import relief to broaden its product line and to enhance its position in the market. Many of its marketing efforts were aimed at upgrading product and entering new channels of distribution. Although many efforts were made in the decorated cooking ware category, the firm also improved its utility and special-purpose lines which account for \* \* \*. 1/

#### Status of the Domestic Industry

Although partial year data for 1978 were available from U.S. Stamping Co., such data were insignificant relative to that reported by GHC. For purposes of this section of the report, only data reported by GHC are presented. All such data for the period January 1978 through June 1981 represent porcelain-on-steel cooking ware valued \* \* \*. Data on teakettles are not included, except as noted. Teakettles accounted for about \* \* \* percent of the total units sold by GHC in 1980 and less than \* \* \* percent of total sales dollars.

#### Production

GHC has been the sole domestic producer of porcelain-on-steel cooking ware since the second half of 1978. Production by GHC increased from \* \* \* million units in 1978 to \* \* \* million units in 1979, as shown in the following tabulation:

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1/ A letter explaining Du Pont's rejection of the Silverstone project is presented in app. G.

<u>Period</u>	<u>Quantity</u> (1,000 units)
1978-----	***
1979-----	***
1980-----	***
January-June:	
1980-----	***
1981-----	***

From 1979 to 1980 production declined approximately \* \* \* percent and in January-June 1981 production was slightly lower than items in the corresponding period of 1980. However, workers at GHC's Terre Haute facility were on strike for a 4-week period beginning in March 1981. The firm estimates a loss of approximately \* \* \* person-hours during the strike which would be equivalent to an output of about \* \* \* units. If January-June 1981 figures were so adjusted, production would be slightly greater than in January-June 1980.

#### Capacity and capacity utilization 1/

GHC's facility in Terre Haute has an annual capacity of \* \* \* million units, based on operating the facility three shifts a day, five days a week, 50 weeks a year. \* \* \* the firm does hold the lease on the porcelain-on-steel plant in Moundsville, W. Va., formerly owned by U.S. Stamping Co. That plant represents additional capacity of \* \* \* million units which could be available to GHC in the future. 2/ The firm has recently renewed the lease on this facility; however, a substantial investment of funds would be necessary before this plant could be reopened. Utilization of capacity at the Terre Haute plant was as follows:

<u>Period</u>	<u>Capacity utilization</u> (percent)
1978-----	***
1979-----	***
1980-----	***
January-June--	
1980-----	***
1981-----	***

The lower rate of capacity utilization in January-June 1981 was the result of a 1 month labor strike. If the estimated lost output of \* \* \* units were factored into the calculation, utilization for this period would have been \* \* \* percent, a slight improvement from 1980 performance.

1/ Capacity data include teakettles which results in a slight understatement of capacity utilization.

2/ GHC has stated that a pretax, preinterest return on sales of \* \* \* percent would be required to make the reopening of its Moundsville plant feasible.

The capacity utilization rate for GHC's plant actually reflects two entirely different production processes. One half of the plant is devoted to the forming of the metal cookware and the other half to enameling, finishing and packaging. Utilization of the metal-forming machinery is at a \* \* \* since much of the metal-forming output is destined for \* \* \*. Utilization of the other portion of the plant is directly dependent on orders.

### Domestic shipments

GHC's domestic sales of porcelain-on-steel cooking ware increased from \* \* \* million units, valued at \* \* \* million, in 1978 to \* \* \* million units, valued at \* \* \* million, in 1979. From 1979 to 1980 domestic shipments declined almost \* \* \* percent to \* \* \* million units, while increasing \* \* \* percent in value to \* \* \* million.

<u>Period</u>	<u>Quantity</u> (1,000 units)	<u>Value</u> (1,000 dollars)
1978 <u>1/</u> -----	***	***
1979 -----	***	***
1980 -----	***	***
January-June--		
1980-----	***	***
1981-----	***	***

1/ Includes a small number of teakettles.

GHC shipped comparable volumes of cooking ware in January-June 1980 and 1981 although the value of sales during 1981 \* \* \* about \* \* \* percent. The average unit value of domestic shipments \* \* \* from \* \* \* per unit in 1978 to \* \* \* per unit in 1980, or by \* \* \* percent. All cooking ware sales through June 1981 were valued \* \* \*. 1/

GHC offers porcelain-on-steel cooking ware in three categories. In the utility category the firm offers the Columbian line. This product is basic, low-priced cooking ware, usually with a white finish and black trim.

The special-purpose category is represented by Graniteware. This line has the traditional, blue and white speckled appearance and is oriented towards large capacity pots for straining and canning, as well as "specialty" pots for spaghetti, tomatoes, crabs, lobsters, and so forth. This line also includes a variety of round, oval, and square roasters as well as bakeware.

In the fashion cooking ware category, GHC offers four lines. The Classic line is an open stock collection of pots and frying pans. Although decorated, these items are made from relatively light-gauge steel and would be at the low

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1/ GHC's Chateau line, which is valued \* \* \*, was not available for shipment until August 1981.

end of the fashion category. The Boutique line represents the high end of GHC's fashion line, utilizing heavy-gauge metal and stainless steel rims. GHC offers two other fashion lines which have been introduced since the Commission's section 201 investigation. The General Store line has an interior nonstick coating. Although the coating is not Silverstone, this line is intended for the growing nonstick cooking ware market. GHC estimates that nonstick cooking ware now accounts for approximately 40 percent of the \$800 million metal cookware market. The latest GHC introduction in the fashion cooking ware category is the Chateau collection. This cooking ware utilizes the bulge shape found in the most popular imported cooking ware, and is intended for sale in the high-priced segment of the fashion category which is currently supplied exclusively by imports valued \* \* \* per pound. The first shipments of the Chateau line were made in August 1981. 1/ \* \* \*. In the Commission's survey of retail outlets, two buyers reported that they added GHC as a source during the 1979-81 period because of the design and style of GHC's merchandise, particularly the new bulge-shaped Chateau line. Buyer's for five other outlets who had purchased fashion cooking ware from GHC in 1979 were also enthusiastic about the Chateau line which they anticipated would be well received by their customers.

The relative contribution of these various lines to total shipments varies significantly as shown in the following table.

Table 6.--Porcelain-on-steel cooking ware: Percentage distribution of GHC's domestic shipments, 1/ by types, 1979-80, January-June 1980, and January-June 1981

(In percent)					
Period	Utility	Special-purpose	Fashion		Total
	: cooking ware	: cooking ware	: cooking ware	:	
1979-----	: ***	: ***	: ***	:	100
1980-----	: ***	: ***	: ***	:	100
January-June--	:	:	:	:	
1980-----	: ***	: ***	: ***	:	100
1981-----	: ***	: ***	: ***	:	100
	:	:	:	:	

1/ Based on value of shipments.

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

\* \* \* cooking ware is clearly the most important category in terms of sales dollars, representing over \* \* \* percent of GHC's domestic shipments in 1980. \* \* \* cooking ware has become a smaller share of total shipments, decreasing from \* \* \* percent in 1979 to \* \* \* percent in January-June 1981. The

1/ Shipments of product samples were made as early as June 1981.

company's stated objectives during the relief period were to improve the quality of its decorated cooking ware and to improve its competitiveness in this area. \* \* \* there is apparently continued market demand for fashion-oriented consumer products such as decorated cooking ware sets. The increased emphasis on \* \* \* cooking ware places GHC in a dominant market position in this category. The only foreign competition in this category is from \* \* \* cooking ware, imports of which declined over \* \* \* percent between 1979 and 1980 and continue to decline in 1981.

### Exports

Exports of porcelain-on-steel cooking ware by GHC have increased (in terms of quantity) each year since 1978. In 1980 exports of \* \* \* units, valued at \* \* \*, represented \* \* \* percent of total unit sales. GHC's exports were primarily \* \* \*. \* \* \* was the major export market for GHC's products in 1980 and in January-June 1981, as summarized in the following tabulation:

<u>Period</u>	<u>Exports</u> (1,000 units)	<u>Total shipments</u> (1,000 units)
1978-----	***	***
1979-----	***	***
1980-----	***	***
January-June--		
1980-----	***	***
1981-----	***	***

### Inventories

GHC's end-of-period inventories of porcelain-on-steel cooking ware rose \* \* \* during 1978-80, as consumption of porcelain-on-steel cooking ware declined. As shown in the following table, inventories increased both in terms of quantity and relative to shipments. Inventories as of June 30, 1981, were \* \* \* percent lower than they were one year earlier. Much of the decline was due to the 1 month strike in March 1981. During this period all orders were supplied from inventory.

Table 7.--Porcelain-on-steel cooking ware: End-of-period inventories held by General Houseware's Corp., and producer's shipments, 1978-80, January-June 1980, and January-June 1981

Period	Inventories	Shipments	Ratio of inventories to shipments
	---1,000 units---	---1,000 units---	-----Percent-----
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***
January-June--			
1980-----	***	***	1/ ***
1981-----	***	***	1/ ***

1/ Based on annualized shipments.

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

Importers' inventories 1/ also increased steadily relative to imports during 1979-81, as shown in the following table. Although the quantity of inventories dropped in each period for which data were reported, imports dropped at a more rapid rate resulting in increasing ratios of inventories to imports.

Table 8.--Porcelain-on-steel cooking ware: End-of-period inventories held by importers and imports for consumption, 1979-80, January-June 1980, and January-June 1981

Period	Inventories	Imports	Ratio of inventories to imports
	---1,000 units---	---1,000 units---	-----Percent-----
1979-----	1,012	<u>1/</u> 9,046	11.2
1980-----	974	4,991	19.5
January-June--			
1980-----	938	2,845	<u>2/</u> 18.8
1981-----	846	2,019	<u>2/</u> 23.9

1/ Estimated.

2/ Based on annualized imports.

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

1/ Compiled from data received from importers representing more than 90 percent of imports in January-June 1981.

Employment

The number of production and related workers employed by GHC rose \* \* \* from 1978 to 1979, then declined to its former level in 1980 as shown in table 9. Productivity of GHC's employees, as measured by output per hour, decreased slightly from 1979 to 1980. Productivity in January-June 1981 was slightly higher than in the corresponding period of 1980.

Table 9.— Porcelain-on-steel cooking ware: Average number of production and related workers employed by GHC, hours worked, and output per hour, 1978-80, January-June 1980, and January-June 1981

Period	Production and related workers	Hours worked	Output per hour
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***
January-June--			
1980-----	***	***	***
1981-----	***	***	***

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

Wages paid to GHC's production and related workers increased by \* \* \* percent from 1978 to 1981, as shown in the following tabulation:

Period	Hourly rate	
	With overtime	Without overtime
1978-----	***	***
1979-----	***	***
1980-----	***	***
January-June--		
1980-----	***	***
1981-----	***	***

Wage rates in 1978-80 were set by a 3-year contract which expired in early 1981. The new labor contract, signed after a 4-week strike, provides for an average annual increase of \* \* \* percent during the 3 years of the contract. The \* \* \* percent increase in wage rates (with overtime) between January-June 1980 and January-June 1981 resulted from a scheduled increase in the first year of the new contract which is larger than increases called for in the second and third years.

Profit-and-loss experience

Porcelain-on-steel operations.--Financial data were received from General Housewares Corp. on its porcelain-on-steel cooking ware operations and are presented in table 10. GHC's net sales of porcelain-on-steel cooking ware increased by \* \* \* percent from \* \* \* million in 1978 to \* \* \* million in 1980 primarily as a result of \* \* \*. In January-June 1981, net sales increased by \* \* \* percent compared with the corresponding period of 1980, as a result of \* \* \*.

\* \* \* \* \*

Year and item	Net sales		Contribution margin	
	Value	Percent of total	Value	Percent of net sales
	:1,000 dollars:		:1,000 dollars:	
1978:				
Utility cooking ware-----	***	***	***	***
Special-purpose cooking ware-----	***	***	***	***
Fashion cooking ware-----	***	***	***	***
Total or average-----	***	100.0	***	***
1980:				
Utility cooking ware-----	***	***	***	***
Special-purpose cooking ware-----	***	***	***	***
Fashion cooking ware-----	***	***	***	***
Total or average-----	***	100.0	***	***

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

Table 10.—Selected financial data for General Housewares Corp. on its porcelain-on-steel cooking ware operations, 1978-80, January-June 1980, and January-June 1981

Item	1978	1979	1980	January-June	
				1980	1981
Net sales-----1,000 dollars--:	***	***	***	***	***
Cost of goods sold-----do-----:	***	***	***	***	***
Gross profit-----do-----:	***	***	***	***	***
General, selling, and administrative expenses-----:	***	***	***	***	***
Net operating profit-----do-----:	***	***	***	***	***
Interest expense-----do-----:	***	***	***	***	***
Net profit before income taxes-----do-----:	***	***	***	***	***
Ratio of net operating profit to net sales-----percent--:	***	***	***	***	***
Ratio of net profit before income taxes to net sales-----do-----:	***	***	***	***	***
Cash flow from operations <sup>1/</sup> -1,000 dollars--:	***	***	***	***	***
Fixed assets employed in the production of porcelain-on-steel cooking ware:					
Original cost-----do-----:	***	***	***	***	***
Book value-----do-----:	***	***	***	***	***
Replacement cost-----do-----:	***	***	***	***	***
Ratio of net operating profit to--					
Original cost of fixed assets----percent--:	***	***	***	***	***
Book value of fixed assets-----do-----:	***	***	***	***	***
Replacement cost of fixed assets----do-----:	***	***	***	***	***

<sup>1/</sup> Defined as net profit before income taxes plus depreciation and amortization expense.

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

The contribution margin is the difference between sales price and all variable costs. Variable costs are the costs that normally change in total in direct proportion to changes in volume. 1/ The term "contribution" is used because the amount left from a sales price after variable costs are covered contributes to covering other costs (mainly fixed costs) and producing profit. 2/ Net sales of \* \* \* cooking ware, which had the highest contribution margin among the three categories, increased from \* \* \* percent of total sales in 1978 to \* \* \* percent of total sales in 1980, thus contributing to the increase in profitability in 1980 \* \* \*.

The energy consumption savings claimed by GHC because of installation of the new \* \* \* furnace in March 1981 have not been fully recognized yet and were partially offset by the \* \* \* resulting from the labor strike in March 1981. The 4-week strike had no significant impact on the reported operations of porcelain-on-steel cooking ware in January-June 1981 since most orders were filled from finished product inventory.

To provide an additional measure of profitability, the ratios of net operating profit to original cost, book value, and replacement cost of fixed assets employed in the production of porcelain-on-steel cooking ware are also presented in table 10. These ratios generally followed the same trend as did the ratios of net operating profit to net sales.

Overall GHC company operations.---Selected financial data for GHC's overall operations and by product groups are presented in table 11. GHC manufactures 80 percent of its major product lines. Porcelain-on-steel cookware is the largest single product line of the cookware group and the company. The cookware group represented 68 percent of total sales of GHC in 1978 but then declined to 66 percent and 65 percent of total sales of the corporation in 1979 and 1980, respectively. With respect to total operating income of the corporation, the cookware group accounted for 73 percent in 1978 and 71 percent in 1980.

To measure the financial condition of GHC, selected financial ratios of the company and related industries are presented in table 12. All measures of profit during 1978-80 improved for GHC except return on equity at the end of the period. If return on equity was computed on the average equity, it would also show an improvement. All net profit measures before income taxes were equal to or higher than ratios for the fabricated metal industry during 1978-80. GHC's profitability in 1980 showed a strong improvement compared with the fabricated metal industry.

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1/ Examples of variable costs are raw materials, direct labor, and salesperson's commissions.

2/ Examples of fixed costs are depreciation, rent or lease expense and executive salaries.

Table 11.--Selected financial data of General Housewares Corp., by product groups and total company operations, 1978-80

Item	Total Company			Cookware group			Giftware group		
	1978	1979	1980	1978	1979	1980	1978	1979	1980
Net sales-----1,000 dollars--	47,662	55,082	61,922	32,457	36,482	40,031	15,205	18,600	21,891
Operating income-----do-----	6,226	7,346	8,758	4,549	5,306	6,208	1,677	2,040	2,550
Capital expenditures-----do-----	1,491	1,187	1,319	995	756	1,003	262	218	316
Identifiable assets-----do-----	26,956	30,521	29,422	12,541	13,178	13,018	5,759	6,444	7,012
Ratio of operating income to--									
Net sales-----percent--	13.1	13.3	14.1	14.0	14.5	15.5	11.0	11.0	11.6
Identifiable assets-----do-----	23.1	24.1	29.8	36.3	40.3	47.7	29.1	31.7	36.4

Source: Compiled from annual reports of General Housewares Corp.

Table 12.--Selected financial ratios for General Housewares Corp. and related industries, 1978-80

Item	General Housewares Corp.			Fabricated metal products			Metal stamping	
	1978	1979	1980	1978	1979	1980	1978	1979
Ratio of--								
Net profit <u>1/</u> on net sales--								
Before income taxes-----	7.4	7.5	8.0	7.4	7.2	6.1	<u>2/</u>	<u>2/</u>
After income taxes-----	3.7	3.9	4.2	4.7	4.6	4.2	<u>4.6</u>	<u>5.0</u>
Net profit <u>1/</u> on total assets--								
Before income taxes-----	13.2	13.6	16.9	13.4	13.2	10.9	<u>2/</u>	<u>2/</u>
After income taxes-----	6.6	7.1	8.8	7.9	8.0	6.8	<u>2/</u>	<u>2/</u>
Net profit <u>1/</u> on net worth (equity) at end of period--								
Before income taxes-----	45.7	47.2	43.4	27.2	27.1	22.3	<u>2/</u>	<u>2/</u>
After income taxes-----	23.0	24.5	22.6	16.0	16.4	13.9	<u>18.0</u>	<u>22.2</u>
Current assets to current debt---	2.8	2.4	3.2	1.9	1.9	1.9	2.3	2.2
Cash and equivalents plus accounts and notes receivable to current liabilities ("quick" or "acid test" ratio)-----	1.4	1.4	2.1	1.0	.9	1.0	<u>2/</u>	<u>2/</u>
Net sales to working capital---	3.6	3.9	3.9	5.5	6.0	5.9	5.9	6.0
Fixed assets to net worth-----	75.5	64.8	51.4	56.6	57.2	60.2	58.6	54.2
Total debt to net worth-----	141.5	123.1	93.4	43.7	46.5	45.5	70.1	71.9

1/ Net profit from continuing operations.

2/ Not available.

Source: Compiled from annual reports of GHC, Quarterly Financial Report for Manufacturing, Mining, and Trade Corporations, Federal Trade Commission for Fabricated Metal products and from Dun & Bradstreet's Key Business Ratios for Metal Stamping (SIC No. 3469).

As measured by the current 1/ and quick 2/ ratios, GHC evidenced an increase in liquidity and both ratios are above the averages for the other related industries. These ratios represent short term debt paying abilities of the corporation. The improvement in the company's liquidity during 1980 was a result of inventory reduction and the disposition of the Leisure Furniture group. The ratio of net sales to working capital provides a guide as to the extent the company is turning its working capital and the margin of operating funds. These ratios remained at a level below that of the other related industries. The ratio of fixed assets (net) to net worth, ordinarily, should not exceed 100 percent for a manufacturer. These ratios were higher in 1978-79 but then declined in 1980 compared with related industries because of the faster increase in net worth of GHC. The ratio of total debt to net worth represents the relationship of the equity of lenders against the equity of owners. The higher ratio means future financing will be both costly and difficult to obtain. GHC's debt position is much higher compared with the other industries. However, GHC's debt/net worth ratio has been considerably reduced because of rapid increases in net worth and slight decreases in total debt during 1978-80.

1980 was a good year for GHC in terms of improved profit margins, liquidity, decrease in its debt position, and increase in its net worth. Further, GHC declared for the first time a dividend of \$0.03 per common stock per quarter on February 3, 1981, because of availability of retained earnings of \$900,000 free from restrictions on the payment of dividends contained in its note and revolving credit agreements in 1980.

#### Capital, and research and development expenditures

GHC reported the following capital, and research and development expenditures in connection with its porcelain-on-steel cooking ware operations (in thousands of dollars):

Item	1979	1980	January-June	
			1980	1981
Capital expenditures:				
Building, and leasehold improvements--:	***	***	***	***
Machinery, equipment, and fixtures:				
New-----:	***	***	***	***
Used-----:	***	***	***	***
Total-----:	***	***	***	***
Research and development expenditures---	***	***	***	***

1/ Ratio of current assets to current liabilities; a ratio of 2 to 1 is considered adequate.

2/ Ratio of cash and equivalents plus accounts and notes receivable to current liabilities; a ratio of 1 to 1 is considered adequate.

GHC's total capital expenditures increased significantly by \* \* \* percent from \* \* \* in 1979 to \* \* \* in 1980, but then fell to \* \* \* in January-June 1981 compared with \* \* \* for the corresponding period of 1980. The majority of capital expenditures were incurred for \* \* \*. The details of capital expenditures are shown in the following tabulation (in thousands of dollars):

\*                    \*                    \*                    \*                    \*                    \*                    \*

Research and development expenditures, associated with the improvement of present products and development of new products, decreased by \* \* \* percent, from \* \* \* in 1979 to \* \* \* in 1980, but then increased by \* \* \* percent to \* \* \* in January-June 1981 compared with \* \* \* for the corresponding period of 1980.

### Prices

General Housewares Corp. and all major importers of porcelain-on-steel cooking ware responded to the Commission's request for price information covering the period January 1978 through June 1981. These prices were reported for three cooking ware items--2-piece saucepan sets, 1/ 12-quart pots, and 7-piece sets 2/--representing the three principal categories of cooking ware--utility, special-purpose, and fashion, respectively. All prices reported were for cooking ware valued not over \$2.25 per pound.

Domestic prices.--Table 13 shows the domestic industry's lowest net selling prices for utility, special-purpose, and fashion cooking ware from January-June 1978 through January-June 1981, and the associated semiannual rates of change. Prices of utility cooking ware and special-purpose cooking ware have shown considerable movement during the past 3 years, a pattern which is not unusual for commodities often retailed as promotional items. Prices of fashion cooking ware have shown steady but modest increases throughout the period shown.

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1/ 1-quart and 2-quart saucepan sets without covers.

2/ Two saucepans (1 quart to 3 quarts), 1 skillet (8 to 10 inches), 1 Dutch oven (4 to 6 quarts) and 3 covers.

Table 13.--Porcelain-on-steel cooking ware: Lowest net selling price to largest customers of U.S. producer, 1/ by categories, January 1978-June 1981

Period	Utility cooking ware		Special-purpose cooking ware		Fashion cooking ware	
	Price	Percent- age change	Price	Percent- age change	Price	Percent- age change
1978:	:	:	:	:	:	:
January-June---	***	***	***	***	***	***
July-December--	***	***	***	***	***	***
1979:	:	:	:	:	:	:
January-June---	***	***	***	***	***	***
July-December--	***	***	***	***	***	***
1980:	:	:	:	:	:	:
January-June---	***	***	***	***	***	***
July-December--	***	***	***	***	***	***
1981:	:	:	:	:	:	:
January-June---	***	***	***	***	***	***
	:	:	:	:	:	:

1/ General Housewares Corp. is the sole U.S. producer of porcelain-on-steel cooking ware.

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

Prices of utility cooking ware increased \* \* \* percent over the period from a low of \* \* \* per 2-piece saucepan set in January-June 1978 to \* \* \* per 2-piece saucepan set in January-June 1981. The largest price increase, \* \* \* percent, occurred in July-December 1979. Prices on utility cooking ware declined by \* \* \* percent in January-June 1980, but showed modest increases in other periods. During the relief period prices on utility cooking ware sets increased only \* \* \* percent from \* \* \* per 2-piece saucepan set in January-June 1980 to \* \* \* per 2-piece saucepan set in January-June 1981.

Prices for special-purpose cooking ware, as reflected in the price of 12-quart pots, fluctuated widely between January 1978 and June 1980. During this period prices for special-purpose cooking ware increased \* \* \* percent. Prices declined \* \* \* percent in January-June 1979, but increased by \* \* \* percent in July-December 1979. Price fluctuations between January 1978 and December 1980 left prices at the end of 1980 at the same level as in early 1978. An increase of \* \* \* percent occurred in January-June 1981, raising the price of 12-quart pots to \* \* \*.

Domestically produced fashion cooking ware has shown modest but continuous increases in prices during the entire period. The price increased \* \* \* percent from \* \* \* per 7-piece set in January-June 1978 to \* \* \* per 7-piece set in January-June 1981. During the period of relief prices of fashion cooking ware rose \* \* \* percent from the level prevailing immediately before relief was provided. The relatively steady increase during the 3-1/2 years contrasts sharply with the wide fluctuations of prices for other types of porcelain-on-steel cooking ware. This pattern may reflect a more stable market for items in this category.

Import prices.--The weighted average lowest net selling prices of imported utility porcelain-on-steel cooking ware are shown in table 14. Utility-type porcelain-on-steel cooking ware from Mexico and Poland did not undersell GHC's utility porcelain-on-steel cooking ware in any period. In fact, weighted average import prices during the relief period January 1980 through June 1981 were about \* \* \* GHC's prices for utility cooking ware. The prices of imports from Mexico were higher than the weighted average price of imports. This price differential is larger than can be explained by the additional duties placed on imported porcelain-on-steel cooking ware. Import prices rose \* \* \* percent from \* \* \* per 2-piece saucepan set in January-June 1978 to \$3.29 per 2-piece saucepan set in January-June 1981. <sup>1/</sup> During the first 18 months of relief (January 1980 through June 1981), however, the three responding importers of utility cooking ware reported prices which rose 46.9 percent compared with an increase of \* \* \* percent in GHC's prices.

Table 15 compares prices and rates of change for imported special-purpose porcelain-on-steel with those of GHC's special-purpose porcelain-on-steel. Until 1981, data were limited to prices of imports from Mexico by Normandy Distributors; no importers reported prices in 1978. From January 1979 through June 1981, prices reported by the one importer of Mexican cooking ware increased from \* \* \* to \* \* \*, or by \* \* \* percent. During the same period, domestic prices increased by only \* \* \* percent. The effect of the protective tariff is evident in the \* \* \* percent Mexican import price increase for January-June 1980. Prior to relief, GHC's prices were above those of Normandy Distributors. After relief was provided, the price of imports from Mexico increased to \* \* \*, \* \* \* percent above GHC's, and in 1981 an additional \* \* \* percent increase in Normandy's import prices increased the differential to \* \* \*, or \* \* \* percent, above GHC's prices.

The prices on four additional porcelain-on-steel cooking ware items found in the special-purpose category are shown in Table 16. These products are manufactured by GHC and imported by Normandy Distributors Co., Inc. Importers' testimony at the hearing suggested that prices of many imports from Mexico, exemplified by these items, are currently high enough to eliminate underselling of GHC products even without relief. <sup>2/</sup> The data shown in table 16 indicate that during the relief period GHC's prices on the four items compared have in fact been below those for the same items imported by Normandy. The size of the pricing differential in 1981, which ranged from \* \* \* (\* \* \* percent) to \* \* \* (\* \* \* percent), suggests that it is largely the result of the protective duties.

Table 17 shows prices of porcelain-on-steel fashion cooking ware (seven-piece sets) reported by GHC compared with those for cooking ware exported to the United States from principal producing countries. In most cases, these prices were reported by a single importing firm. Remco

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<sup>1/</sup> The magnitude of this increase may be somewhat misleading. Only import prices from Poland, reflecting the prices of a single importer, were reported for January-June 1978. Prices of imports from Poland are uniformly lower than those of imports from Mexico. Therefore, had prices of Mexican utility cooking ware been available, the average increase would most likely have been smaller than \* \* \* percent. \* \* \*.

<sup>2/</sup> See hearing transcript, pp. 229-230.

Table 14.--Utility porcelain-on-steel cooking ware <sup>1/</sup>: Lowest net selling prices to largest customers of U.S. producer and U.S. importers, January 1978-June 1981

Period	GHC		Mexico		Poland		Weighted import average	
	Price	Per-centage change	Price	Per-centage change	Price	Per-centage change	Price	Per-centage change
1978:								
January-June---	***	***	<u>3/</u>	***	***	***	<u>2/</u> ***	***
July-December--	***	***	<u>3/</u>	<u>3/</u>	***	***	<u>2/</u> ***	5.7
1979:								
January-June---	***	***	***	<u>3/</u>	***	***	2.29	***
July-December--	***	***	***	***	***	***	2.24	-2.2
1980:								
January-June---	***	***	***	***	***	***	2.94	31.3
July-December--	***	***	***	***	***	***	3.10	5.4
1981:								
January-June---	***	***	***	***	***	***	3.29	6.1

<sup>1/</sup> Defined as 1-quart and 2-quart saucepan sets, no covers, for purposes of price gathering.

<sup>2/</sup> Prices reported by a single importer.

<sup>3/</sup> Not available.

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

Table 15.--Special-purpose porcelain-on-steel cooking ware: 1/ Lowest net selling prices to largest customers of U.S. producer and U.S. importers, January 1978-June 1981

Period	GHC		Mexico <u>2/</u>		Poland <u>2/</u>		Weighted import average	
	Price	Per-centage change	Price	Per-centage change	Price	Per-centage change	Price	Per-centage change
1978:								
January-June---	***	***	<u>3/</u>	-	<u>3/</u>	-	<u>3/</u>	-
July-December--	***	***	<u>3/</u>	-	<u>3/</u>	-	<u>3/</u>	-
1979:								
January-June---	***	***	***	-	<u>3/</u>	-	<u>2/</u> \$2.99	-
July-December--	***	***	***	-	<u>3/</u>	-	<u>2/</u> 2.99	-
1980:								
January-June---	***	***	***	***	<u>3/</u>	-	<u>2/</u> 4.37	46.2
July-December--	***	***	***	-	<u>3/</u>	-	<u>2/</u> 4.37	-
1981:								
January-June---	***	***	***	***	***	***	5.08	16.2

1/ Defined as 12-quart pot for purposes of price gathering.

2/ Prices reported by a single importer.

3/ Not available.

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

Table 16.--Special-purpose porcelain-on-steel cooking ware: Comparisons of GHC prices with Normandy Distributors Co., Inc., prices, 1/ for selected items, January 1978-June 1981

Period	Spaghetti cooker		Round roaster 10"x5"		Oval roaster			
					18"x12"-1/2"x 7"-1/2"		13"x8"x5"	
	GHC	Normandy	GHC	Normandy	GHC	Normandy	GHC	Normandy
1978:								
January-June---	***	***	***	***	***	***	***	***
July-December--	***	***	***	***	***	***	***	***
1979:								
January-June---	***	***	***	***	***	***	***	***
July-December--	***	***	***	***	***	***	***	***
1980:								
January-June---	***	***	***	***	***	***	***	***
July-December--	***	***	***	***	***	***	***	***
1981:								
January-June---	***	***	***	***	***	***	***	***

1/ Import items are from Mexico.

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

Table 17.—Fashion porcelain-on-steel cooking ware: 1/ Lowest net selling prices to largest customers of U.S. producer and U.S. importers, January 1978-June 1981

Period	GHC		Japan 2/		Mexico 2/		South Africa/ Israel 2/		Spain		Taiwan		Weighted import average	
	Price	Percent change	Price	Percent change	Price	Per- cent change	Price	Percent change	Price	Percent change	Price	Percent change	Price	Percent change
1978:														
Jan.-June----	***	***	***	***	***	***	***	***	\$22.15	-5.9	3/	***	\$20.93	-
July-Dec.----	***	***	***	***	***	***	***	***	20.85	-5.9	2/***	***	19.55	-6.6
1979:														
Jan.-June----	***	***	***	***	***	***	***	***	21.42	2.7	2/	***	22.04	15.8
July-Dec.----	***	***	***	***	***	***	***	***	21.17	-1.2	2/	***	20.23	-10.6
1980:														
Jan.-June----	***	***	***	***	***	***	***	***	25.78	21.8	19.03	***	22.76	12.5
July-Dec.----	***	***	***	***	***	***	***	***	21.01	-18.5	16.45	-13.6	23.87	4.9
1981:														
Jan.-June----	***	***	***	***	***	***	***	***	22.70	8.0	17.50	6.4	21.85	-8.5

1/ Defined as "standard" set of 2 saucepans (1 quart to 3 quarts), 1 skillet (8 to 10 inches), 1 Dutch oven (4 to 6 quarts) and 3 covers.

2/ Represents price of 1 importer only.

3/ Not available.

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

International Co. Inc., stopped importing porcelain-on-steel fashion cooking ware from Mexico before the protective duties went into effect. Nevertheless, its prices for January-June 1978 through January-June 1979 were considerably higher than GHC's. Prices shown for Taiwanese imports were typically lower than other prices, suggesting some quality differences compared with GHC's and other imported porcelain-on-steel fashion cooking ware. Finally, the prices for porcelain-on-steel fashion cooking ware imported from South Africa and Israel by Pointerware reportedly represent prices of discontinued lines of fashion ware. Pointerware testified at the hearing that in the future it will import only high fashion cooking ware. 1/

Average weighted prices of imported fashion cooking ware show no consistent pattern from January-June 1978 through January-June 1981 nor do they indicate the presence of underselling. The wide range of prices in any period and the large fluctuations in prices for each country suggests the conclusion that there are differences in product quality within this category. Certain countries, such as Taiwan or Poland, appear to provide products intended for promotional sales. The steady price increases of Japan's fashion cooking ware, on the other hand, suggests a higher quality product with a relatively stable market, although the appreciation of the Japanese yen vis-a-vis the U.S. dollar may also have contributed to the price increases.

An indication of tariff and exchange rate effects is provided by prices of fashion cooking ware from Spain. Import prices for porcelain-on-steel fashion cooking ware produced in Spain fluctuate in a random manner suggestive of a response to the U.S. retail market, but in no semiannual periods has Spanish fashion cooking ware undersold GHC's cooking ware. The initial effect of increased duties is apparent in the 21.8 percent increase in prices of imports from Spain in January-June 1980. However, the 11.9 percent drop in prices of Spanish imports since July 1980 is likely to have been the result of the 36 percent appreciation of the U.S. dollar against the Spanish peseta during the relief period.

#### The Foreign Industry

Porcelain-on-steel cooking ware is produced throughout the world with principal foreign sources in Europe and Asia, particularly Spain and Taiwan. Mexico is also an important source, especially in the utility and special-purpose categories of cooking ware. The following information was compiled from responses by selected embassies to Commission inquiries.

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1/ The high fashion line to be imported by Pointerware is reputed to be price competitive with the French cooking ware imported by Dansk. Dansk's import questionnaire response has been omitted because the extreme high prices ranging from \* \* \* estimated for January-June 1978 to \* \* \* for January-June 1981, would introduce serious distortions to the price series. Also, the bulk of French imports were valued over \$2.25 per pound and therefore not subject to additional duties.

Japan

Enameled cooking ware was produced by 40 firms in Japan during 1979-81. Such production included teakettles, porcelain-on-iron cooking ware, as well as porcelain-on-steel cooking ware. Production capacity was estimated to be 46.4 million units per year. No increases in capacity are expected in the near future. However, some decline in capacity could be expected since both domestic and overseas demand for porcelain-on-steel cooking ware is slow according to the Japan Enameled Iron Ware Manufacturers Association (EIWMA). U.S. imports from Japan were primarily teakettles or cooking ware valued at over \$2.25 per pound. Imports from Japan of cooking ware valued not over \$2.25 per pound represented 13 percent of all such imports in 1980, but only 6 percent in January-June 1981. EIWMA officials explained that the imposition of increased duties on this product made it unprofitable to ship to the U.S. market. Japanese producers responded by shifting their output to higher priced cooking ware which is not covered by import relief. Although the import relief provides for gradual reduction in the additional duties, EIWMA does not expect Japanese producers to increase their shipments of the lower priced cooking ware since they anticipate that Taiwan, Mexico, Spain, and other countries will expand their shares of the U.S. market as the duty is lowered.

Mexico

In 1981, four firms produced porcelain-on-steel cooking ware in Mexico. Two large firms were considered most representative of the domestic industry and were the only firms exporting to the U.S. market. According to company officials, capacity in Mexico was not expected to increase in the next 2 years. Data for the operations of these firms are presented in the following tabulation:

Item	1979	1980	January-June 1981
Production-----1,000 units--	24.5	25.2	12.7
Domestic shipments-----do-----	19.7	19.7	9.7
Exports:			
To United States-----do-----	1.8	1.7	.6
To other countries-----do-----	.7	.7	.5
Total-----	2.5	2.4	1.1

Taiwan

Production of porcelain-on-steel cooking ware in Taiwan more than doubled from 2.1 million units in 1977 to 4.4 million units in 1978. Exports to the United States increased sharply from 0.5 million units in 1977 to 3.0 million units in 1978. Although imports from Taiwan declined to 1.4 million units in

1980, they remain a competitive factor in that segment of the market in which they compete. Taiwanese cooking ware exports consisted primarily of light-gauge, fashion-type sets.

### Spain

Eight firms produced porcelain-on-steel cooking ware in Spain during 1979-81. Only four or five of these firms were known to export. Spanish production capacity is approximately 28.0 million units per year and is not expected to change in the next few years. Spanish firms operated at about 70 percent of capacity, producing about 20.0 million units in 1980. Fifty to sixty percent of this production was exported; the remainder was sold in the domestic market.

### Other countries

Although not major sources of porcelain-on-steel cooking ware, France, Israel, and South Africa also export to the United States. French production in 1980 was valued at \$45 million with exports to the United States of \$981,000. This represented a 50-percent decline in volume from what it was in 1979. The majority of imports from France were valued at over \$2.25 per pound and were therefore not subject to import relief.

Porcelain-on-steel cooking ware is produced by single firms in both Israel and South Africa. The Israeli firm was established in 1979 with production capacity of 2.0 million units. The imposition of import relief has caused a sharp decline in exports to the United States which in turn caused declines in capacity utilization rates. The firm had apparently intended to use the United States as a base for re-exporting to central and South America. These plans have been suspended. The firm producing in South Africa also has production capacity of approximately 2.0 million units. No changes in capacity are planned through 1983 since the imposition of import relief has closed the United States market to them.

### Probable Economic Effects of Terminating or Reducing Import Relief

As previously discussed, protective duties of \$0.20 per pound through 1981, \$0.15 per pound during 1982, and \$0.10 per pound during 1983 were to be applied to imported porcelain-on-steel cooking ware items having a customs value not over \$2.25 per pound. <sup>1/</sup> These duties, assessed in addition to the existing 3.2 percent ad valorem rate for all imported porcelain-on-steel cooking ware, primarily affect lower priced cooking ware typically found in

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<sup>1/</sup> The value of the tariff at the price breakpoint is approximately 12.1 percent, but increases proportionately on assessed values less than \$2.25 per pound. The use of a per pound method of valuation tends to eliminate the need for an item-by-item classification of dutiable imported cooking ware.

the utility and special-purpose cooking ware categories, although low-end fashion cooking ware is also affected. The \$2.25 per pound price breakpoint was designed to exclude high-priced fashion cooking ware which was acknowledged by the sole domestic producer, GHC, as not being directly competitive with its products. Teakettles, which generally enter the United States at a value below \$2.25 per pound, were excluded from the additional duties for similar reasons.

At the Commission hearing and in their briefs submitted to the Commission, both the domestic industry and representatives of importers offered several suggestions for modifying the current import relief program. General Housewares Corp. supported continued relief and considered the existing price breakpoint appropriate. GHC however, maintains that because the cookware market has contracted, the scheduled per pound duty reduction should be postponed 1 year (i.e., \$0.20 per pound during 1982 and \$0.15 per pound during 1983).

Importers unanimously opposed continuation of import relief. However, if relief was to be continued to January 1984, certain alternatives were offered to the present form of protection. Importers of high-priced fashion cooking ware, which was originally excluded from import relief, contended that during the past 18 months the appreciation of the U.S. dollar vis-a-vis their suppliers' currencies has caused an increasing proportion of this type of imported cooking ware to be subject to protective duties. Two remedies were suggested: (1) lower the per pound price breakpoint to compensate for the depreciation of foreign currencies against the dollar, and/or (2) levy the price per pound duty according to a nonprice breakpoint based on metal gauge or thickness to more clearly differentiate between the heavier gauge steel used in imported high-priced fashion cooking ware, as compared with the lighter gauge found in domestic products. <sup>1/</sup> Mexican interests felt that domestic price increases in Mexico had negated the positive exchange rate effect on imported Mexican cooking ware and preferred either a slightly increased ad valorem duty in lieu of the current protective duties or a change in the scheduled reduction of specific duties to \$.10 per pound during 1982 and \$.05 per pound during 1983. Finally, importers of certain porcelain-on-steel cooking ware items typically found in the utility or special-purpose categories and for which no domestic competition existed, requested that protective tariffs be administered on an item-by-item basis as in the case of teakettles.

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<sup>1/</sup> GHC contends that changing the price per unit would only encourage an influx of low-priced imported cooking ware and any change in the method of determining the breakpoint unit (pounds) would be difficult to administer by Customs.

Current effects of import relief

The data presented in table 2 show that the domestic market for all porcelain-on-steel cooking ware has been contracting throughout the relief period. 1/ During 1980, the first year of relief, U.S. imports of all porcelain-on-steel cooking ware declined 45 percent while domestic shipments fell \* \* \* percent compared with the corresponding period of 1979. 2/ The entire decline in apparent consumption in January-June 1981, compared with January-June 1980 is due to a 30-percent decline in imports; domestic shipments remained unchanged. As earlier noted, the porcelain-on-steel cooking ware market is a part of a larger contracting metal cooking ware market which reflects a generally tight economy. 3/ In the face of this contracting market, GHC was able to improve its market share from \* \* \* percent in 1979 to \* \* \* percent in 1980, and to \* \* \* percent in the first six months of 1981.

During the period of relief, average lowest net selling prices of both domestically produced and imported porcelain-on-steel cooking ware valued not over \$2.25 per pound have increased in all categories. Comparing January-June of 1981 with January-June 1980, imported utility cooking ware prices rose 11.9 percent and domestically produced utility cooking ware prices increased \* \* \* percent; imported special-purpose cooking ware prices rose 16.2 percent and domestically produced special-purpose cooking ware increased \* \* \* percent; and prices on imported 7-piece fashion ware sets rose 1.2 percent and the prices of domestically produced fashion ware sets increased \* \* \* percent. Some of the contracting market for porcelain-on-steel cooking ware can be explained by consumer resistance to these rising prices. GHC and importers indicated that retailers no longer regard porcelain-on-steel cooking ware as a strong promotional item because of its price relationship with other similar items. 4/

Several factors provide clues to the improvement of GHC's market position during the last 18 months. Labor productivity estimates for GHC (see table 9) indicate that, although output per hour dropped \* \* \* percent from 1979 through 1980, it increased \* \* \* percent during January-June 1981, when compared with January-June 1980. Some of this recent productivity improvement may be attributed to GHC's investment in the technologically improved \* \* \* furnace. However, capacity-utilization rates declined \* \* \* percent in 1980 compared with 1979 and \* \* \* percent in January-June 1981 compared with

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1/ The evidence indicates that this contraction began prior to the relief period since apparent consumption dropped \* \* \* percent from 1978 to 1979.

2/ Includes teakettles, cooking ware valued not over \$2.25 per pound and cooking ware valued over \$2.25 per pound.

3/ Porcelain-on-steel cooking ware, like all cooking ware, is a durable good subject to consumer discretionary purchasing habits. In periods of a constricted economy, as has been true during the past two years, consumers are more likely to postpone or forego these kinds of purchases. As may be expected, therefore, industry sources have indicated a drop in replacement orders from retailers.

4/ It has been explained that retailers are unable to maintain their margins without advancing the retail price points on porcelain-on-steel cooking ware beyond what is felt to be attractive to the consumer for cooking ware in general.

January-June 1980. These data would suggest that GHC has not reached its desired stability or relatively efficient level of operation, but because GHC was able to advance its product prices, it has been profitable and appears to have succeeded in restoring some of its financial health.

Thus, under import relief, imports have declined substantially as import prices have risen. Meanwhile, the share of the market held by GHC has increased 1/ and GHC's profitability has improved noticeably. The domestic market, however, is contracting not only for porcelain-on-steel cooking ware, but for all cooking ware in general, and domestic prices in addition to import prices have risen substantially. Therefore, the success of continued import protection for the domestic porcelain-on-steel cookware industry appears to depend on not only the speed with which GHC can become more efficient, but larger economic considerations which have created a declining market for all metal cooking ware products in general.

In order to continue its efforts to improve efficiency, GHC requires profitable operations. In the face of a declining demand for its products, this could only occur through price increases. Such price increases appear to require continued reduced levels of imports. Domestic prices could only be raised, however, up to the point at which they are approximately equal to import prices inclusive of the tariff. In order to raise prices further, scheduled reductions in the relief would have to be postponed and/or tariffs increased. GHC has requested that the tariff reduction scheduled for 1982 be delayed for 1 year.

#### Termination of relief

Termination of import relief would allow the reduction of import prices by the amount of the increased duties. The evidence collected by the Commission staff, however, is inconclusive as to whether this necessarily would result in an influx of low-end or low-priced imported cooking ware. On the one hand, certain exporters of typically low-end porcelain-on-steel cooking ware (such as Korea) are no longer exporting to the U.S. market. The price of imported utility cooking ware, especially Mexican import prices, appears to be sufficiently higher than GHC's prices to suggest that removal of protective duties would still give GHC a price advantage. On the other hand, Mexico continues to supply a substantial portion of the imported special-purpose porcelain-on-steel cooking ware items to the U.S. market, but at prices which appear to be sufficiently close to GHC's to suggest that removal of protective duties might eliminate GHC's price advantage. 2/ GHC's price advantage with

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1/ The improved market position of GHC reflects a slower decline in domestic shipments relative to imports rather than a clear shift by consumers from imported cooking ware to the U.S. product.

2/ Representatives of Mexican importers have suggested that one reason for increased prices on Mexican imports is rapidly rising Mexican production costs. Another reason, to be addressed in the next section, is that the U.S. dollar has not appreciated as rapidly against the Mexican peso as against other foreign currencies, and much less of the increased Mexican production costs are being offset by a U.S. dollar exchange rate favoring imports. Thus, it would appear that most increases in Mexican production costs are indeed being passed directly to the U.S. consumer in the form of higher import prices.

respect to imported fashion ware from Spain could similarly be jeopardized in the absence of import relief. \*\*\*.

Reduced import prices resulting from termination of import relief could force GHC to lower its prices and thereby jeopardize its efforts to become more competitive. Although GHC's financial health has improved, it has only begun to make the major commitments that it has identified in its long range plan for increasing its competitiveness with imports.

It is impossible in this investigation to forecast with confidence the broad external factors such as changes in the domestic economy which appear to have most influenced consumers' purchasing patterns, or exchange rate fluctuations which appear to have most influenced prices of imported porcelain-on-steel cooking ware. Nor is it any less difficult to correctly assess the domestic or foreign producers' abilities to change their production efficiencies and their relative cost structures. Therefore, it was not possible to reliably estimate the level of imports which may be entered in any given period based on either continuation or termination of the current import relief.

#### Reduction of relief

Representatives of importers of porcelain-on-steel cooking ware have proposed a number of modifications to the current import relief program which, if implemented, would result in reduction in the current level of relief. These are grouped below according to "type" of modification, and the probable economic effects of each is discussed briefly.

Modifying the price breakpoint.--As discussed previously, the \$2.25 per pound price breakpoint was designed in part to exclude those imported fashion cooking ware sets which GHC acknowledged to be noncompetitive with its product lines. Representatives of Dansk (France) and Pointerware (Israel) maintain that because of the appreciation of the U.S. dollar vis-a-vis their currencies, some fashion cooking ware intended to be excluded is now subject to the increased duties. The following table shows the exchange rates of the currencies of countries exporting porcelain-on-steel cooking ware to the United States for the first 18 months of relief. With the exception of the Japanese yen, all currencies shown have depreciated against the dollar indicating that in the absence of any other economic consideration, prices of imports from these countries would have declined in the U.S. market.

## Exchange rates of selected currencies vis-a-vis U.S. dollar

Country and currency	1980 1st quarter	1981 2d quarter	Percentage change
France (franc)-----	4.1491	5.4185	30.6
Israel (shekel) <u>1/</u> -----	3.838	10.270	167.6
Japan (yen)-----	243.54	220.00	-9.7
Mexico (peso)-----	22.825	24.091	5.5
Spain (peseta)-----	67.275	91.142	35.5

1/ Israel has experienced inflation estimated to be in excess of 100 percent per annum during this period.

Dansk suggested two solutions to the effects of exchange rate fluctuations. The first solution is to lower the price breakpoint to \$1.50 per pound, a reduction approximately equal to the 30.6 percent appreciation of the U.S. dollar against the French franc. Assuming all other factors to be constant, 1/ lowering the price breakpoint to \$1.50 per pound would again exclude those fashion items which had declined in price below the existing breakpoint primarily owing to exchange rate fluctuations. Although this solution would exempt Dansk's imports from additional duties, it would also effect imports from other countries. For example, the U.S. dollar has appreciated only moderately against the Mexican peso. Mexican exports are largely utility and specialty porcelain-on-steel cookware which directly compete against GHC products in the U.S. market. Imports of these porcelain-on-steel cooking ware items could benefit from a lower breakpoint contrary to the design of the relief. Furthermore, there is no reliable means by which future exchange rate fluctuations may be predicted. A subsequent depreciation of the U.S. dollar relative to foreign currencies might increase import value above the lower breakpoint and virtually eliminate the effectiveness of the relief. Thus, reduction of the price breakpoint offers only a stop-gap solution, since it does not address future exchange rate fluctuations.

The second solution proposed by Dansk and supported by Pointerware is a change in the value per pound breakpoint to a breakpoint based on the thickness of the cooking ware. Most high-priced fashion oriented imported porcelain-on-steel cooking ware is between 1.6mm and 2.0mm in thickness while all domestically produced porcelain-on-steel cooking ware is 1.0 mm or less in thickness. The increased duties, if applied only to thicknesses of 1.0mm and under as suggested, would indeed exclude most imported high-priced porcelain-on-steel fashion cooking ware as originally intended. However, it would also exclude certain utility or special-purpose porcelain-on-steel cooking ware over 1.0mm in thickness. Such an exclusion might circumvent the intent of the relief. A further complication results from GHC's plans to introduce a line of fashion cooking ware--\* \* \*--which would be made of thicker steel (\* \* \*).

1/ The main factor assumed to remain constant is foreign production costs which if increasing would offset some of the exchange rate benefits derived from a depreciating currency in the absence of tariffs.

Higher ad valorem tariffs.--The representative for importers of Mexican porcelain-on-steel cooking ware has recommended abolishing the specific tariff (i.e. 20 cents per pound) and substituting in its place an ad valorem duty higher than the GATT-bound rate of 3.2 percent; a 5.0 percent rate was suggested as appropriate. This argument suggests that, because Mexican production costs have far exceeded the advantages from the exchange rate appreciation of the U.S. dollar, import prices for Mexican porcelain-on-steel cooking ware even in the absence of import relief would be higher than GHC's prices. Again, this suggestion ignores future exchange rate fluctuations and the fact that costs in other countries may not have increased as rapidly as they have in Mexico. Under this alternative, the beneficial effects of continuing relief for GHC would vanish in the event of a depreciating U.S. dollar. 1/

Change to item-by-item classification.--The last of the proposed modifications to the current import relief was suggested by importers of porcelain-on-steel cooking ware items which are either not produced by GHC or, like teakettles, are produced in such small quantities by GHC as to not be competitive with imports. Specifically, importers of such porcelain-on-steel items as espresso coffee pots or other items which have been referred to as serving only the "Hispanic market" have requested that these products be singled out for exclusion as are teakettles. Foreign produced porcelain-on-steel fondue pots, although not limited to any particular market, are reported by importers to be unavailable because of the increased rates of duty. Establishing an item-by-item classification of porcelain-on-steel cooking ware to be exempted from the increased rates would resolve this problem but it would not address the issue of exempting high-value or heavy gauge cooking ware from the escape action rates. Such a system would also be difficult for customs personnel to administer because of claims for exclusions based on minor design changes in imported items.

#### Section 202(c) Considerations

Section 203(i)(4) of the Trade Act of 1974 directs that the Commission take into account the considerations set forth in section 202(c) when advising the President as to the probable economic effect on the industry concerned of the termination or modification of import relief.

#### Section 202(c)(1)

Section 202(c)(1) directs that consideration be given to "information and advice from the Secretary of Labor on the extent to which workers in the industry have applied for, are receiving, or are likely to receive adjustment assistance under chapter 2 or benefits from other manpower programs."

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1/ A similar analysis may be extended to the suggestion, also offered by counsel for Mexican importers, that the scheduled reductions in specific duties be changed to \$.10 per pound and \$.05 per pound for 1982 and 1983, respectively.

In response to the request by the Commission for such information and advice, the U.S. Department of Labor provided information on certification and trade readjustment allowance payments made under the Trade Act of 1974. During January 1977-September 1981, workers from two firms received certification as shown below. U.S. Stamping Co. ceased production of porcelain-on-steel cooking ware in 1977, and General Housewares Corp. purchased U.S. Stamping Co.'s production equipment in March 1978.

1. U.S. Stamping Co., Moundsville W.Va.

Certified: 12/26/77. Through June 1981 the following benefits were received by workers.

- 1) 265 workers received \$885,135 in trade readjustment allowance.
- 2) 46 workers entered job training programs, 33 completed the programs, and 25 were placed in new jobs.
- 3) 1 worker received a job search allowance of \$83.
- 4) 1 worker received a relocation allowance of \$1,146.

2. General Housewares Corp., Terre Haute, Ind.

Certified 1/26/79. Through June 1981, 304 workers received trade readjustment allowances which totaled \$333,305. 1/

Section 202(c)(2)

Section 202(c)(2) directs that consideration be given to "information and advice from the Secretary of Commerce on the extent to which firms in the industry have applied for, are receiving, or are likely to receive adjustment assistance under chapters 3 and 4."

The Department of Commerce has reported that J.R. Clark Co. 2/ of Terre Haute, Ind., was certified to receive adjustment assistance on January 3, 1978. It received a technical assistance loan of \$37,330 on July 3, 1978. In addition, GHC has reported that it received from the Economic Development Administration a technical assistance loan (not related to adjustment assistance under chapters 3 and 4) of \$45,000 in January 1981 for development of an \* \* \*.

Section 202(c)(3)

Section 202(c)(3) directs that consideration be given to "the probable effectiveness of import relief as a means to promote adjustment, the efforts being made or to be implemented by the industry concerned to adjust to import competition, and other considerations relative to the position of the industry in the Nation's economy."

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1/ None of the workers at Terre Haute participated in job training programs. Many laid-off workers were subsequently rehired by GHC.

2/ J.R. Clark Co. was a wholly owned subsidiary of General Housewares Corp.

The domestic porcelain-on-steel cookware industry has stated that the import relief has been effective in aiding it to adjust to import competition. Between 1979 and 1980 import volume decreased by 45 percent. This trend continued in January-June 1981 when imports of all porcelain on steel cooking ware were 30 percent below the level of the corresponding period in 1980. However, the quantity of domestic shipments of porcelain-on-steel cooking ware also declined in 1980 by \* \* \* percent and the level in January-June 1981 was similar to January-June 1980. The value of shipments increased, however, because GHC raised prices by about \* \* \* percent from 1979 to 1980. Most other types of metal cooking ware also showed declining sales volume for the same periods, although not as great a decline as for porcelain-on-steel cookware. These data suggest that at least some of the decline in imports (and domestic shipments) of porcelain-on-steel cooking ware was due to a secular decline in consumer demand rather than an increase in competitiveness of GHC's product.

GHC has provided the Commission with a comprehensive report on its efforts to adjust to import competition. It stated that increased profitability will enable them to invest about \* \* \* million dollars in 1980-81 and \* \* \* million dollars in 1982-83. The firm has characterized its efforts to adjust as (1) improving quality and efficiency, (2) the introduction of new product lines, and (3) advances in marketing.

#### Section 202(c)(4)

Section 202(c)(4) directs that consideration be given to "the effect of import relief on consumers (including the price and availability of the imported article and the like or directly competitive article produced in the United States) and on competition in the domestic markets for such articles."

Since the imposition of relief in January 1980, prices have risen significantly for both imported porcelain-on-steel cooking ware subject to the relief and for the domestic product. From 1979 to 1980 the unit value of GHC's shipments of porcelain-on-steel cooking ware increased by \* \* \* percent, 1/ while for all nonelectric metal cooking ware (except porcelain on-steel) the increase was approximately 8 percent. Unit values of shipments of all imported porcelain-on-steel cooking ware increased by 41 percent during the same period. In this case, however, some of this increase was due to a shift in product mix from the lower priced articles subject to the tariff to higher priced items.

As noted above, from 1979 to 1980 the unit value of GHC's shipments of porcelain-on-steel cooking ware increased by about \* \* \* percent, and the unit value of shipments of all other nonelectric metal cookware increased by 8 percent. If the entire differential of \* \* \* percentage points is assumed to be the result of price increases stimulated by import relief, the cost to

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1/ The consistency between the increase in prices and the increase in unit value of shipments suggests that changes in product mix have not been a significant factor here.

consumers of relief induced higher domestic prices during 1980 is estimated at \$3.7 million. Additional duties collected on imported cooking ware are estimated in 1981 at \$1.3 million suggesting a total direct cost to consumers of import relief of approximately \$5.0 million for the first year of relief. 1/ In the first six months of 1981, relief induced higher domestic prices added an estimated \$2.5 million in consumer costs and an estimated \$0.6 million of additional duties were collected. Therefore, it may be said that direct costs to consumers of import relief for the first 18 months were approximately \$8.1 million. 2/ Part of the cost to consumers of higher import prices would be redistributed back to the public by the government, which gained added revenue from the tariff.

Sections 202(c)(5) and (6).--Section 202(c)(5) and (6) direct that consideration be given to "the effect of import relief on the international economic interests of the United States"; and "the impact on United States industries and firms as a consequence of any possible modification of duties or other import restrictions which may result from international obligations with respect to compensation."

Since January 17, 1980, the date the tariff became effective, Japan and Spain are the only countries to have requested compensation under Title XIX of the GATT. This is the first time a compensation request has been the subject of negotiations under the authority of section 123 of the Trade Act of 1974. 3/ Previously, packages of compensation requests have been negotiated within the framework of the Multilateral Trade Negotiations.

The United States has agreed that compensation in the amount of \$2.9 million should be provided to Japan and that \$5.4 million should be provided to Spain. These amounts reflect the estimated additional duties which will be collected from these countries during the 4-year relief period, based on U.S.

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1/ In a submission to the Commission, Fingerhut Corp., a mail-order retail firm, presented estimates of direct costs to consumers of \$5.46 million for 1980. Additional costs resulting from inefficient allocation of resources to a supposedly less competitive producer were estimated by Fingerhut as \$1.49 million.

2/ These estimates do not consider either absorption of the additional duties by importers, or increases in retail prices caused by taking predetermined markups on the higher value of both domestic and imported cookware. No information is available to the Commission in this case.

3/ Section 123 states "Whenever any action has been taken under section 203 to increase or impose any duty or other import restriction, the President--

- (1) may enter into trade agreement with foreign countries or instrumentalities for the purpose of granting new concessions as compensation in order to maintain the general level of reciprocal and mutually advantageous concessions; and
- (2) may proclaim such modification or continuance of any existing duty, or such continuance of existing duty-free or excise treatment, as he determines to be required or appropriate to carry out any such agreement.

imports in 1979. The compensation will be provided through the temporary reduction in tariff rates on other items. The United States Trade Representative has proposed that 61 TSUS items be subject to the maximum temporary tariff reduction permissible under section 123. 1/ At the request of the USTR the U.S. International Trade Commission is currently conducting an investigation concerning the probable economic effects of such tariff reductions on U.S. industries producing like or directly competitive articles, and on consumers. 2/ A list of the TSUS items covered in this investigation is presented in app. H.

#### Section 202(c)(7)

Section 202(c)(7) directs that consideration be given to "the geographic concentration of imported products marketed in the United States."

Imported porcelain-on-steel cooking ware is marketed throughout the United States. There are indications that certain types of special-purpose cooking ware such as lobster pots and chili pots are intended for sale in particular markets. However, the majority of imports do not appear to be concentrated in any particular geographic location.

#### Section 202(c)(8)

Section 202(c)(8) directs that consideration be given to "the extent to which the United States market is the focal point for exports of such article by reason of restraints on exports of such article to, or on imports of such article into, third country markets."

Prior to the import relief the United States had a relatively low rate of duty (3.2 percent ad valorem) for porcelain-on-steel cooking ware. Following the imposition of import relief, the U.S. tariff on cooking ware valued not over \$2.25 was about 17.5 percent ad valorem equivalent. This difference was especially significant with respect to Mexico, Taiwan and Korea, each of which produces lower valued porcelain-on-steel cooking ware. Duty rates on porcelain-on-steel cooking ware for selected countries and for the European Community are summarized in the following tabulation:

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1/ The maximum reduction permissible is 30 percent of the existing rate of duty, and any concessions granted "shall be reduced and terminated according to substantially the same time schedule for reduction applicable to the relevant import relief.

2/ Investigation No. TA-131(b)-7.

<u>Area</u>	<u>Normal or MFN Rate</u>	<u>Preferential Rate</u>
European Community	7.5%	0.0% (for ACP countries- Lome Convention)
Spain	19.0% (+12% tax)	14.2% (for EEC) (+12% tax)
Canada	15% (MTN - 10.2%)	
Sweden	6.0%	
Australia	41%	25% (LDCs)
Japan	6% (MTN - 4.9%)	
U.K.	8.5%	
Mexico	100.0%	
Taiwan	78-52%	
Korea	60%	

The current U.S. relief action would tend to divert exports of lower priced porcelain-on-steel cooking ware (primarily from Mexico, Taiwan, Korea, and Spain) from the United States to other developed countries. In the event of termination of relief, some exports that had been diverted would re-enter the U.S. market, given the higher rates of duty in other countries.

#### Section 202(c)(9)

Section 202(c)(9) directs that consideration be given to "the economic and social costs which would be incurred by taxpayers, communities, and workers, if import relief were or were not provided."

To the extent that GHC has not fully adjusted to import competition, adverse effects following a termination of import relief would be felt most by workers of GHC and the community where GHC is located (Terre Haute, Ind.). GHC, the only firm in this industry, employs about \* \* \* workers. The firm is believed to be the fourth largest employer in the city of Terre Haute, Ind., with a population of about 60,000. Complete termination of production of porcelain-on-steel cookware could have a significant impact on the economy of the city.

Import relief has not generated increased domestic production or employment in the porcelain-on-steel cookware industry through the first 18 months of relief. However, GHC argues that the import relief has enabled them to increase their profitability through higher prices, and this has allowed increased investment in technological and design improvements in its porcelain-on-steel products, and diversification into other lines. GHC expects the benefits of these actions to be realized in the future.

APPENDIX A

Presidential Proclamation No. 4713  
and Presidential Memorandum of  
January 2, 1980

## Presidential Documents

Proclamation 4713 of January 16, 1980

### Temporary Duty Increase on the Importation Into the United States of Certain Nonelectric Cooking Ware of Steel

By the President of the United States

#### A Proclamation

1. Pursuant to section 201(d)(1) of the Trade Act of 1974 (the Trade Act) (19 U.S.C. 2251(d)(1)), the United States International Trade Commission (USITC), on November 5, 1979, reported to the President (USITC Report 201-39) the results of its investigation under section 201(b) of the Trade Act (19 U.S.C. 2251(b)). The USITC determined that nonelectric cooking ware of steel, enameled or glazed with vitreous glasses, is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. The subject articles are now provided for in item 654.02 of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202) (formerly provided for in item 653.97, TSUS). The USITC recommended the imposition of additional duties on imports of the above specified articles.

2. On January 2, 1980, pursuant to section 202(b)(1) of the Trade Act (19 U.S.C. 2252(b)(1)), and after taking into account the considerations specified in section 202(c) of the Trade Act (19 U.S.C. 2252(c)), I determined to remedy or prevent the injury or threat thereof, found to exist by the USITC, by proclaiming a temporary duty increase. On January 2, 1980, in accordance with section 203(b)(1) of the Trade Act (19 U.S.C. 2253(b)(1)), I transmitted a report to the Congress setting forth my determination and intention to proclaim a temporary duty increase and stating the reasons why my decision differed from the action recommended by the USITC.

3. Section 503(c)(2) of the Trade Act (19 U.S.C. 2463(c)(2)) provides that no article shall be eligible for purposes of the Generalized System of Preferences (GSP) for any period during which such article is the subject of any action proclaimed pursuant to section 203 of the Trade Act (19 U.S.C. 2253).

4. Section 203(e)(1) of the Trade Act (19 U.S.C. 2253(e)(1)) requires that import relief be proclaimed and take effect within 15 days after the import relief determination date.

5. Pursuant to sections 203(a)(1) and 203(e)(1) of the Trade Act (19 U.S.C. 2253(a)(1) and 2253(e)(1)), I am providing import relief through the temporary increase of the import duty on certain nonelectric cooking ware of steel, as hereinafter proclaimed.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes of the United States, including General Headnote 4 of the TSUS (19 U.S.C. 1202), section 604 and section 203 of the Trade Act (19 U.S.C. 2483; and 19 U.S.C. 2253), and in accordance with Articles I and XIX of the General Agreement on Tariffs and Trade (GATT) (61 Stat. (pt. 5) A12 and 61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786), do proclaim that—

(1) Part I of Schedule XX to the GATT is modified to conform to the actions taken as set forth in the Annex to this proclamation.

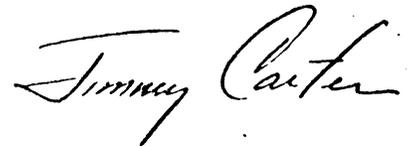
(2) Subpart A, part 2 of the Appendix to the TSUS is modified as set forth in the Annex to this proclamation.

(3) GSP eligibility is suspended for the nonelectric cooking ware of steel classified under TSUS item 923.60 as added by the Annex to this proclamation for such time as the import relief provided for therein is in effect.

(4) This proclamation shall be effective as to articles entered, or withdrawn from warehouse, for consumption on or after January 17, 1980, and before the close of January 16, 1984, unless the period of its effectiveness is earlier expressly suspended, modified or terminated.

(5) The Commissioner of Customs shall take such action as the U.S. Trade Representative shall direct in the implementation and administration of the import relief herein proclaimed.

IN WITNESS WHEREOF, I have hereunto set my hand this sixteenth day of January, in the year of our Lord nineteen hundred and eighty, and of the Independence of the United States of America the two hundred and fourth.



#### ANNEX

Subpart A, part 2 of the Appendix to the TSUS (19 U.S.C. 1202) is modified—

(1) by adding the following new headnote 7:

*"7. United States International Trade Commission (USITC) surveys on certain nonelectric cooking ware of steel—*The USITC shall conduct surveys with respect to cooking ware of the type subject to temporary duty increases under item 923.60 as follows:

*"(a) Semiannually—*Surveys semiannually to obtain periodic data on U.S. production; U.S. producers' domestic, export, and total shipments, imports, apparent U.S. consumption, employment, and man-hours. The initial survey shall cover the last half of 1979 and the first half of 1980, the last such survey shall cover the semiannual period which ends not less than 60 days prior to the termination of the import relief. The results of the surveys shall be published and transmitted to the U.S. Trade Representative within 60 days of the end of each survey period.

*"(b) Annually—*Annual surveys to obtain from domestic producers annual data on profits, capital expenditures, capacity, and capacity utilization. The initial survey shall cover calendar year 1979, and the results of this and subsequent surveys shall be published and transmitted to the U.S. Trade Representative by the end of the first quarter of each year thereafter so long as the import relief is in effect." and

(2) by inserting in numerical sequence the following new provision:

Item	Articles	Rates of Duty				
		1		2		
*923.60	Cooking ware (except teakettles) of steel, not having self-contained electrical heating elements, enameled or glazed with vitreous glasses, and valued not over \$2.25 per pound, provided for in item 654.02 .....	Effective on or after January 17, --				
		1980	1981	1982	1983	
		The rate provided for in item 654.02 + 20¢ per lb., but the total duty shall not exceed 53.3% ad val.	The rate provided for in item 654.02 + 20¢ per lb., but the total duty shall not exceed 53.3% ad val.	The rate provided for in item 654.02 + 15¢ per lb., but the total duty shall not exceed 53.3% ad val.	The rate provided for in item 654.02 + 10¢ per lb., but the total duty shall not exceed 53.3% ad val.	35.5% ad val., but not less than the rate which would have applied had the article been imported subject to the applicable column 1 rate of duty provided herein for this item."

[FR Doc. 80-1915  
 Filed 1-17-80; 12:05 pm]  
 Billing code 3195-01-M

## Presidential Documents

**Memorandum of January 2, 1980**

### **Determination Under Section 202(a) of the Trade Act; Porcelain-on-Steel Cookware**

**Memorandum for the Special Representative for Trade Negotiations**

Pursuant to section 202(b)(1) of the Trade Act of 1974 (P. L. 93-618, 88 Stat. 1978), I have determined the action I will take with respect to the report of the United States International Trade Commission (USITC), transmitted to me on November 5, 1979, concerning the results of its investigation of a petition for import relief filed by counsel for General Housewares Corporation on behalf of the domestic industry producing cooking ware of steel, enameled or glazed with vitreous glasses, provided for in item 653.97 of the Tariff Schedules of the United States.

After considering all relevant aspects of the case, including those set forth in section 202(c) of the Trade Act of 1974, I have determined that provision of import relief in the form of increased tariffs for four years is in the national economic interest. These increased tariffs will apply to all U.S. imports of porcelain-on-steel cookware except teakettles and imports valued over \$2.25 per pound. The additional duties will be 20, 20, 15 and 10 cents per pound, respectively, in the first, second, third, and fourth years of the relief period.

I have decided to modify the USITC remedy by: (1) excluding teakettles; (2) reducing by one year the duration of import relief; and (3) imposing additional specific tariffs that are somewhat smaller than those recommended by the USITC. My decision to exclude teakettles is based on the fact that they are not produced domestically in a wide range of shapes and styles.

This four-year relief program should be sufficient to enable the sole remaining domestic producer of porcelain-on-steel cookware to adjust to import competition during the relief period. At the same time, the less-restrictive relief that I will proclaim will reduce the adverse effects of providing relief on U.S. consumers of porcelain-on-steel cookware and on our international economic interests.

In conjunction with providing import relief, I hereby direct you to request that the USITC advise me of the probable economic effect on the domestic porcelain-on-steel cookware industry of the termination of import relief after two years. This advice is to include a review of the progress and specific efforts being made by the domestic producer of porcelain-on-steel cookware to adjust to import competition. I also direct you to request, on my behalf, advice regarding termination of relief from the Secretaries of Commerce and Labor. This USITC, Commerce, and Labor advice is to be provided to me, through you, three months prior to the expiration of the second year of relief. It is my intention to continue relief for the entire four-year period if the domestic producer has begun to make reasonable progress toward adjustment to import competition during the first and second years of import relief and if a continuation of relief is necessary to further this adjustment process.

As required by section 203(e)(1) of the Trade Act of 1974, these additional tariffs will be implemented by Presidential Proclamation no later than January 17, 1980, which is 15 days after this determination.

This determination is to be published in the **Federal Register**.

THE WHITE HOUSE,  
Washington, January 2, 1980.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed text from the White House.

[FR Doc. 80-342

Filed 1-2-80; 11:11 am]

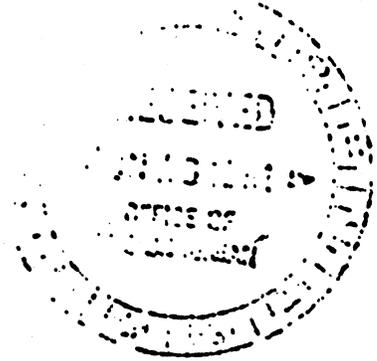
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APPENDIX B

USTR'S Request for the Commission's  
Advice

THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON

JUN 16 P 3: 20506



Honorable Bill Alberger  
Chairman  
U.S. International Trade  
Commission  
Washington, D.C. 20436

JUN 12 1981

Dear Mr. Chairman:

On January 16, 1980, the President proclaimed import relief on certain nonelectric cooking ware of steel. For this purpose, Presidential Proclamation 4713 imposed a duty increase for 4 years on imports of such cooking ware classified under item 923.60 of the Tariff Schedules of the United States (TSUS).

In his January 2, 1980 Memorandum (45 F.R. 759), the President directed the U.S. Trade Representative to request the advice of the U.S. International Trade Commission on the probable economic effect on the domestic porcelain-on-steel cookware industry of the termination of import relief after 2 years. Therefore, pursuant to Section 203(i)(2) of the Trade Act of 1974, as amended, and Section 5(a) of Executive Order 11846 of March 27, 1975, I request that the Commission advise the President of its judgment as to the probable economic effect on the domestic industry concerned of the termination of the relief provided by Proclamation 4713.

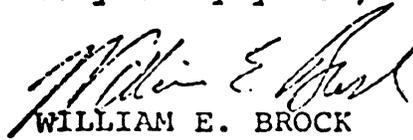
The Commission's advice should include a review of the progress and specific efforts made by the firm in this industry to adjust to import competition during the first year and a half of the relief period (which began on January 18, 1980). The Commission's investigation and report should also include consideration of data through the first half of 1981 on: import and export volumes; domestic production, shipments, employment and consumption; the domestic producer's profits, capacity, and capital expenditures; and U.S. producer's and importer's prices and inventories.

In order to allow adequate time for the Trade Policy Committee to formulate recommendations for the President regarding continuation of import relief beyond 2 years, I request that the Commission transmit its advice to the President by November 1, 1981.

- 2 -

This request for the Commission's advice does not in any way imply a predetermination of this issue.

Very truly yours,



WILLIAM E. BROCK

WEB:ali



**APPENDIX C**

**Commission's Notice of Investigation  
and Hearing**

should contact the supervisory investigator for the investigations, Mr. Lynn Featherstone (202-523-0242) by the close of business (5:15 p.m., e.d.t.), July 22, 1981. It is anticipated that persons in support of the imposition of antidumping duties and persons opposed to such duties will each be collectively allocated 1 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.

Issued: July 2, 1981.

**Kenneth R. Mason,**  
Secretary.

[FR Doc. 81-20004 Filed 7-7-81; 8:45 am]  
BILLING CODE 7020-02-M

**[TA-203-10]**

**Porcelain-On-Steel Cooking Ware;  
Notice of Investigation and Hearing**

**AGENCY:** International Trade Commission.

**ACTION:** Upon its own motion and on the basis of a request filed on June 16, 1981, by the United States Trade Representative, the Commission on June 26, 1981, instituted investigation No. TA-203-10 under section 203(i)(2) of the Trade Act of 1974 (19 U.S.C. 2253(i)(2)) for the purpose of gathering information in order that it might advise the President of its judgment as to the probable economic effect on the industry concerned of the reduction or termination of import relief presently in effect with respect to cooking ware (except teakettles) of steel, not having self-contained electrical heating elements, enameled or glazed with vitreous glasses, and valued not over \$2.25 per pound, provided for in item 654.02 of the Tariff Schedules of the United States (TSUS). The relief is in the form of a duty increase provided for in TSUS item 923.60 pursuant to Presidential Proclamation 4713 (issued January 16, 1981, 45 FR 3561). Import relief presently in effect with respect to such articles is scheduled to terminate in January 1984.

**EFFECTIVE DATE:** June 26, 1981.

**FOR FURTHER INFORMATION CONTACT:** Daniel Leahy, Investigator (202-523-1309).

**SUPPLEMENTARY INFORMATION:**

*Public hearing ordered.* A public hearing in connection with this investigation will be held in Washington, D.C., at 10 a.m., e.d.t., on Monday, September 14, 1981, in the Hearing Room, U.S. International Trade Commission Building, 701 E Street NW. Requests for appearances at the hearing

should be received in writing by the Secretary to the Commission at his office in Washington no later than the close of business Friday, August 21, 1981.

*Prehearing procedures.* To facilitate the hearing process, it is requested that persons wishing to appear at the hearing submit prehearing briefs enumerating and discussing the issues which they wish to raise at the hearing. Nineteen copies of such prehearing briefs should be submitted to the Secretary of the Commission no later than the close of business Friday, September 4, 1981. Copies of any prehearing briefs submitted will be made available for public inspection in the Office of the Secretary. While submission of prehearing briefs does not prohibit submission of prepared statements in accordance with § 201.12(d) of the Commission's *Rules of Practice and Procedure* (19 CFR 201.12(d)), it would be unnecessary to submit such a statement if a prehearing brief is submitted instead. Any prepared statements submitted will be made a part of the transcript. Oral presentations should, to the extent possible, be limited to issues raised in the prehearing briefs.

A prehearing conference will be held on Tuesday, August 25, 1981, at 2:00 p.m., e.d.t., in Room 117 of the U.S. International Trade Commission Building.

Persons not represented by counsel or public officials who have relevant matters to present may give testimony without regard to the suggested prehearing procedures outlined above.

*Inspection of request.* The request 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.

Issued: June 29, 1981.

**Kenneth R. Mason,**  
Secretary.

[FR Doc. 81-20007 Filed 7-7-81; 8:45 am]  
BILLING CODE 7020-02-M

**DEPARTMENT OF JUSTICE**

**Attorney General**

**[AAG/A Order No. 69-81]**

**Privacy Act of 1974; New System of Records**

Pursuant to the Privacy Act, 5 U.S.C. 552a, the Federal Bureau of Investigation, U.S. Department of Justice, proposes to establish a new system of records, the FBI Alcoholism Program system. This system will consist of correspondence and records

regarding FBI employees and/or their families, who have been referred to the Alcoholism Program Coordinator or Counselor. Also included in this system will be results of counseling and counseling treatment, interview appraisals, notes, and miscellaneous records of discussions or meetings with employees. Further, in the Proposed Rules Section of today's Federal Register, the FBI proposes to exempt the system from the access provisions of the Privacy Act (5 U.S.C. 552a) to the extent disclosure could reveal information properly classified under appropriate Executive order, or information which could reveal the identity of a confidential source.

Title 5 of the United States Code, Section 552a(e)(4) and (11) requires that the public be provided with a 30-day period in which to comment on the proposed system; the Office of Management and Budget (OMB), which has oversight responsibility under the provisions of the Act, requires a 60-day period in which to review the proposed system prior to implementation. Therefore, the public, OMB, and the Congress are invited to submit written comments on this system. Comments should be addressed to the Administrative Counsel, Justice Management Division, Department of Justice, Room 6239, 10th and Constitution Avenue, NW., Washington, D.C. 20530. If no comments are received from either the public, OMB, or the Congress on or before August 7, 1981, the system will be implemented without further notice in the Federal Register, except that the final rule exempting the system will be published after 60 days.

Appropriate reports have been filed with the Congress and OMB.

Dated: June 25, 1981.

**Kevin D. Rooney,**  
Assistant Attorney General for  
Administration.

**JUSTICE/FBO-014**

**SYSTEM NAME:**

FBI Alcoholism Program

**SYSTEM LOCATION:**

FBI Headquarters, Administrative Services Division, 10th and Pennsylvania Avenue, N.W., Washington, D.C. 20535; and FBI Field Divisions.

**CATEGORIES OF INDIVIDUALS COVERED BY THE SYSTEM:**

This system contains information on current and former FBI employees who have been counseled or otherwise treated regarding alcohol abuse or

APPENDIX D

List of Witnesses Appearing at the Hearing

TENTATIVE CALENDAR OF PUBLIC HEARING

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

Subject : Porcelain-on-Steel Cooking Ware

Inv. No. : TA-203-10

Date and time : September 14, 1981 - 10:00 a.m., e.d.t.

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

Congressional appearances:

Honorable John T. Myers, United States Congressman, State of Indiana

James L. Griffin, Legislative Assistant to Senator Lugar--on behalf of  
Honorable Richard G. Lugar and Honorable Dan Quayle, United States  
Senators, State of Indiana

Mike Fulton, Legislative Assistant, on behalf of Honorable Robert H.  
Mollohan, United States Congressman, State of West Virginia

State Government:

Honorable Peter Chalos, Mayor of Terre Haute, Indiana

Honorable Larry Wiedebusch, Chairman, Industry and Labor, West Virginia  
House of Delegates

Honorable Richard L. Escalante, City Manager, City of Moundsville,  
Moundsville, West Virginia

Stephen Whittaker, Governor's Office of Economic and Community  
Development, State of West Virginia

In support of the continuation of import relief:

Kilpatrick & Cody--Counsel  
Washington, D.C.  
on behalf of

General Housewares Corporation

John H. Muller, Jr., President

Stephen M. Evans, Group Controller

W. Peter Miller, II, General Plant Manager

Joseph W. Dorn--OF COUNSEL

David L. Mallino, Legislative Representative, United Steelworkers of America

In opposition to the continuation of import relief:

Kaplan, Russin & Vecchi--Counsel  
Washington, D.C.  
on behalf of

Meron Metal Industries, Ltd. of Karmiel, Israel

Dennis Shore, President of Pointerware Corporation  
of America

Dennis Aron, Marketing Director of Pointerware  
Corporation of America

Shimon Elner, Meron Metal Industries, Ltd. of Israel

Dennis James, Jr.--OF COUNSEL

Lamb & Lerch--Counsel  
New York, N.Y.  
on behalf of

Dansk International Designs Ltd.

Richard J. Kaplan--OF COUNSEL

Plaia & Schaumberg--Counsel  
Washington, D.C.  
on behalf of

Importers & Exporters of Porcelain-on-Steel  
Cooking Ware from Mexico

Len Fritz, President, Normandy Distributors

Henry Melzer, Remco International

Mrs. Sharon Higgins, President, Salgo Corporation

John Hanrahan, Hanrahan and Mintz

Leslie Alan Glick--OF COUNSEL



**APPENDIX E**  
**Statistical Tables**

Table A.--Porcelain-on-steel cooking ware valued not over \$2.25 per pound: U.S. imports for consumption, by selected countries, 1980, January-June 1980, and January-June 1981

Source	1980 <u>1/</u>	January-June--	
		1980 <u>1/</u>	1981
Quantity (units)			
Mexico-----	1,302,795	678,472	568,226
Taiwan-----	803,039	455,642	424,759
Spain-----	664,042	323,331	572,042
Japan-----	515,976	249,011	126,392
Korea-----	268,896	120,124	17,820
Romania-----	239,060	81,176	59,611
Poland-----	124,808	5,535	137,046
Yugoslavia-----	96,129	90,000	1,800
Israel-----	50,719	400	1,340
S. Africa-----	28,357	22,450	361
Other countries-----	177,714	98,986	109,874
Total-----	4,271,535	2,125,127	2,019,271
Quantity (pounds)			
Mexico-----	1,582,932	693,345	789,080
Taiwan-----	1,384,615	744,854	832,131
Spain-----	1,566,877	845,205	1,003,793
Japan-----	904,473	418,769	236,004
Korea-----	440,320	207,210	43,212
Romania-----	315,084	138,684	68,734
Poland-----	97,937	4,123	105,191
Yugoslavia-----	115,686	111,552	2,629
Israel-----	154,494	1,775	7,818
S. Africa-----	136,894	103,121	361
Other countries-----	345,346	190,018	164,259
Total-----	7,044,658	3,458,656	3,253,212

Note: See footnotes at end of table.

Table A.--Porcelain-on-steel cooking ware valued not over \$2.25 per pound:  
U.S. imports for consumption, by selected countries, 1980, January-June  
1980, and January-June 1981

Source	1980	January-June--	
		1980 <sup>1/</sup>	1981
Value (1,000 dollars)			
Mexico-----	2,204	1,246	898
Taiwan-----	1,729	919	1,072
Spain-----	2,246	1,305	1,367
Japan-----	1,420	768	333
Korea-----	578	337	39
Pomania-----	259	108	55
Poland-----	114	9	106
Yugoslavia-----	131	127	4
Israel-----	200	3	12
S. Africa-----	332	263	<sup>2/</sup>
Other countries----	521	296	271
Total-----	9,734	5,376	4,157
Value (per unit)			
Mexico-----	\$1.69	\$1.84	\$1.58
Taiwan-----	2.15	2.02	2.52
Spain-----	3.38	4.04	2.39
Japan-----	2.75	3.08	2.64
Korea-----	2.15	2.81	2.17
Pomania-----	1.08	1.33	.92
Poland-----	.91	1.50	.77
Yugoslavia-----	1.36	1.36	2.22
Israel-----	3.92	7.50	8.96
S. Africa-----	11.86	11.95	-
Other countries----	2.93	2.99	2.46
Total-----	2.28	2.53	2.06

Note: See footnotes at end of table.

Table A.--Porcelain-on-steel cooking ware valued not over \$2.25 per pound:  
U.S. imports for consumption, by selected countries, 1980, January-June  
1980, and January-June 1981

Source	1980 <u>1/</u>	January-June--	
		1980 <u>1/</u>	1981
Value per pound			
Mexico-----	1.39	1.80	1.14
Taiwan-----	1.25	1.23	1.29
Spain-----	1.43	1.54	1.36
Japan-----	1.57	1.83	1.41
Korea-----	1.31	1.63	.90
Romania-----	.82	.78	.80
Poland-----	1.16	2.25	1.01
Yugoslavia-----	1.13	1.09	1.52
Israel-----	1.30	1.50	1.53
S. Africa-----	2.42	2.55	1.04
Other countries----	1.51	1.56	1.65
Total-----	1.38	1.55	1.28

1/ Does not include imports for January which were entered under TSUS item. 653.97.

2/ Less than \$500.

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

Table B.--U.S. imports of metal cooking ware, by type, 1979 and 1980, January-June 1980, and January-June 1981

Item	1979	1980	January-June--	
			1980	1981
Quantity (1,000 units)				
Aluminum (cast)-----	4,872	3,166	1,652	1,526
Aluminum (stamped)---	14,808	19,320	8,625	7,250
Cast iron-----	11,288	9,623	6,251	1,922
Copper-----	3,433	4,129	1,801	2,210
Stainless steel-----	40,010	39,537	19,023	10,808
Other-----	25,211	13,713	7,309	6,984
Total-----	99,622	89,488	44,661	30,700
Value (1,000 dollars)				
Aluminum (cast)-----	10,106	9,817	5,148	3,060
Aluminum (stamped)---	18,793	27,774	12,819	10,964
Cast iron-----	7,743	7,466	4,063	2,075
Copper-----	13,523	16,454	7,411	7,840
Stainless steel-----	48,582	55,482	26,348	15,916
Other-----	52,202	39,773	21,813	14,557
Total-----	150,949	156,766	77,602	54,412

Source: Compiled from data provided by the Metal Cookware Manufacturers Association (MCMA).

Table C.--Nonelectric metal cooking ware: Estimated U.S. domestic shipments, imports, exports, and apparent consumption, 1979 and 1980, January-June 1980, and January-June 1981

Period	Producers' shipments (1)	Imports (2)	Exports (3)	Apparent consumption (4)	Ratio (percent) of (2) to (4)
Quantity (1,000 units)					
1979----	195,432	96,135	10,749	280,818	34.2
1980----	186,960	86,087	18,696	254,351	33.8
Jan.-June:					
1980----	86,824	43,096	6,772	123,147	35.0
1981----	90,095	29,533	9,010	110,619	26.7
Value (1,000 dollars)					
1979----	625,937	249,800	34,427	841,311	29.7
1980----	650,934	257,443	65,093	843,284	30.5
Jan.-June:					
1980----	315,996	128,024	24,648	419,372	30.5
1981----	330,254	85,392	33,025	382,620	22.3

Source: Compiled from data submitted by the MCMA.

APPENDIX F

Products Imported From Mexico Which  
Have No Domestically Produced Equivalents

EXHIBIT A

Products made in Mexico and not produced in the U.S.

1. Coffee Pots - 3-cup, 4-cup, 6-cup and 12-cup.  
GHC makes only an 8-cup and a 20-cup.

There is a distinctly separate market for coffee pots in smaller sizes and in sizes between 8 and 20 cups and this is simple to administer. These are particularly popular in the Hispanic market.

2. Caseroles (Budineras) - Sizes in Liters
- |     |     |      |
|-----|-----|------|
| .50 | 1.6 | 9.0  |
| .75 | 2.0 | 10.0 |
| 1.2 | 3.0 | 6.5  |

GHC makes only one casserole referred to as a covered dutch oven in one size - 3 quarts, 10 ounces. Even though this is not similar in appearance, since 3 quarts, 10 ounces convert to 3.8305 liters, we have not included the Mexican caseroles in 3.5 or 4.0 liter sizes although such sizes are made.

3. Convex Kettles with Handles (Olla Convexa con Asa)  
Sizes in Liters
- |      |      |      |
|------|------|------|
| .75  | 8.0  | 19.0 |
| 1.01 | 10.0 | 22.0 |
| 1.05 | 13.0 |      |
| 2.2  | 16.0 |      |
| 3.15 |      |      |
| 4.0  |      |      |
| 6.0  |      |      |

GHC does not make convex kettles. It is an easily identifiable product due to its shape and appearance.

4. Deep Frying Pan - Sizes in Liters

.8
1.1
1.5
2.3

GHC makes no deep frying pan. This is easily distinguishable from a regular frying pan by simple inspection.

APPENDIX G

Letter From Dupont to GHC Concerning  
Silverstone Project

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APPENDIX H

List of TSUS Items Covered by  
Investigation No. TA-131(b)-7

The investigation covers the following list of items of the Tariff

Schedules of the United States:

<u>TSUS</u> <u>ITEM</u>	<u>TSUS</u> <u>ITEM</u>	<u>TSUS</u> <u>ITEM</u>	<u>TSUS</u> <u>ITEM</u>
112.03	252.35	543.11	685.60
112.40	256.10	544.51	708.23
112.62	308.66	632.34	710.65
112.94	316.50	644.11	722.04
124.30	374.15	649.67	722.72
124.40	385.90	649.83	723.32
124.80	420.06	650.21	725.05
145.52	425.94	651.23	725.07
154.50	426.82	653.37	730.05
161.07	437.70	653.45	745.34
161.71	450.20	653.80	750.60
220.36	455.02	654.20	750.70
220.47	460.15	656.25	773.05
220.48	473.40	656.30	
222.20	511.11	657.70	
222.25	512.41	676.20	

