

CERTAIN AUTOMATED FARE COLLECTION EQUIPMENT AND PARTS THEREOF FROM FRANCE

**Determination of the Commission
in Investigation No. 701-TA-200
(Preliminary) Under the
Tariff Act of 1930, Together
With the Information
Obtained in the Investigation**

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U.S. INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 701-TA-200 (Preliminary)

CERTAIN AUTOMATED FARE COLLECTION EQUIPMENT AND PARTS
THEREOF FROM FRANCE

Determination

On the basis of the record 1/ developed in investigation No. 701-TA-200 (Preliminary), the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of certain automated fare collection equipment and parts thereof provided for in items 676.15, 676.25, 676.30, 676.52, 678.40, and 678.50 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of France.

Background

On October 12, 1982, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of Cubic Western Data, Inc., alleging that an industry in the United States is being injured and threatened with material injury by reason of allegedly subsidized imports of certain automated fare collection equipment and parts thereof from France. Accordingly, on October 18, 1982, the Commission instituted a preliminary countervailing duty investigation (No. 701-TA-200) under section 703(a) of the Tariff Act of 1930. Notice of the institution of

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

the investigation and conference therefor was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission and by publishing the notice in the Federal Register on October 21, 1982 (47 F.R. 46906). A public conference was held in Washington, D.C., on November 2, 1982, at which all interested parties were afforded the opportunity to present information for consideration by the Commission. The Commission voted on this investigation on November 19, 1982.

VIEWS OF CHAIRMAN ALFRED ECKES,
AND COMMISSIONERS PAULA STERN AND VERONICA HAGGART

Introduction

Pursuant to section 703 of the Tariff Act of 1930, 19 U.S.C. § 1671b, we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of allegedly subsidized imports of automated fare collection ("AFC") equipment and parts thereof from France. 1/ Our determination rests on the lack of any causal link between the allegedly subsidized imports and petitioner Cubic Western Data Corporation's ("Cubic") loss of the Baltimore contract, and the absence of any indications of significant price suppression in the Miami contract.

Definition of the Domestic Industry

Under section 701 of the Tariff Act of 1930, 2/ the Commission must analyze the impact of the imported "class or kind of merchandise" on the domestic industry producing a "like product" in the United States. See 19 U.S.C. §§ 1671, 1677(4)(A), 1677(10). Hence, we must first define the "class or kind of merchandise" and then define the appropriate "industry in the United States."

Section 771(4)(A) of the Tariff Act of 1930 provides:

IN GENERAL.--The term "industry" means the domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product.

1/ Since there is an established domestic industry, material retardation is not an issue in this investigation and will not be discussed further.

2/ 19 U.S.C. § 1671.

19 U.S.C. § 1677(4)(A). Like product is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this section." 19 U.S.C. § 1677(10).

The subject of our investigation is automated fare collection equipment from France. To this date, the only importations have been in connection with an AFC system for the Baltimore Region Rapid Transit System ("Baltimore contract"). The Baltimore contract was won in February 1981 by Alta Technology, Inc., a U.S. corporation with its headquarters in Stamford, Connecticut, and the Compagnie Generale d'Automatisme ("CGA"), Alta's French parent. 3/ While Alta and CGA are importing certain parts and components for the system, the final assembly and installation will take place in the United States and will incorporate parts and components of U.S. origin. In addition, under the terms of the Maryland Mass Transit Administration ("MTA") Baltimore contract, Alta/CGA will provide testing, installation, and interim maintenance services in Baltimore. 4/ Accordingly, the Alta/CGA bid includes the following: 5/

- a. French parts and components;
- b. U.S. parts and components;
- c. French engineering and design work; and
- d. U.S. testing, installation, and interim maintenance.

For purposes of this preliminary countervailing duty investigation, we have focused on parts and components imported from France for use in AFC

3/ CGA owns 90 percent of Alta. Post Conference Brief of Alta Technology, Inc. p. 6 (Nov. 5, 1982).

4/ See Petitioner's Exhibits, Tab. V (Tabulation of Bids).

5/ Id.

systems. 6/ These French parts and components are the appropriate "class or kind of merchandise" for our consideration. 7/

6/ Commissioner Stern notes that the statute nowhere explicitly defines "class or kind of merchandise" under the countervailing duty and antidumping laws. Generally, however, the customs laws use "merchandise" to refer to a tangible good. Section 1401 of the Tariff Act of 1930 defines "merchandise" as "goods, wares, and chattels of every description . . ." 19 U.S.C. 1401(c); United States v. Sisco, 262 U.S. 165, 168 (1923). In United States v. Lilly & Co., 14 C.C.P.A. 332, 339-40 (1927), the CCPA stated that: "merchandise is a term including all those things which merchants either sell wholesale or retail, such as dry goods, hardware, groceries, drugs, etc." In customs usage therefore, "merchandise" describes a good having a physical existence, rather than intangibles.

This interpretation of section 701 is supported by section 771(10) of the Tariff Act of 1930, where the statute equates the imported "merchandise" with an imported "article." Thus section 777(10) refers to "the article subject to an investigation under this subtitle," while other portions of the statute refer to a "class or kind of merchandise," 19 U.S.C. § 1671, and "imports of the merchandise with respect to which the administering authority has made an affirmative determination . . ." 19 U.S.C. § 1671d. The "article" under investigation is treated as identical to the "merchandise" being examined for possible subsidies.

As used in the Trade Act 1974, the word "articles" does not encompass services. In Fortin v. Marshall, 608 F.2d 525 (D.C. Cir. 1979); the court held:

[T]he term "article" as used throughout the Trade Act, was not meant to include services, and supports the Secretary's determination in this case that services of the type rendered by Pan Am were not "articles" within the meaning of the worker adjustment assistance eligibility requirement set forth in 19 U.S.C. § 2272(d).

608 F.2d at 528, See Pemberton v. Marshall, 639 F.2d 790 (D.C. Cir. 1981). To the extent that CGA is providing design and engineering services for items to be produced in the United States, such services are not within the scope of the Commission's investigation. Accordingly, the Commission is not concerned here with French engineering and design services for parts and components to be built in the United States or with parts and services of U.S. origin. See Budd Company Railway Division v. United States, 501 F.Supp. 997, 1002 (C.I.T. 1980).

7/ Chairman Eckes and Commissioner Haggart note that, since there are imports of French parts and components, they are not concerned here with French engineering and design services for parts and components to be built in the United States or with parts and services of U.S. origin. See Budd Company Railway Division v. United States, 501 F.Supp. 997, 1002 (C.I.T. 1980).

The following AFC products are to be imported from France for the Baltimore contract: 8/

- a. Ticket printer and encoder for use in ticket vending machine;
- b. Ticket transport, transport covers, and turnstile bracket mechanism 9/ for use in the gate;
- c. Station center control booth equipment; and
- d. Coin-handling mechanism.

These products are designed and modified for use in AFC systems. As a result, each of these products has characteristics and uses such that they can only be used in AFC systems. Unless subjected to further modifications, they are not suited for non-AFC applications.

For purposes of this preliminary investigation, we define the domestic like products to be ticket printers, ticket encoders, ticket transports, transport covers, turnstiles or gates, coin handling mechanisms, and station center control booth equipment designed and modified for use in AFC systems. 10/

Cubic Western produces ticket printers, encoders, ticket transports, transport covers, coin handling mechanisms, gate mechanisms, and station center control booth equipment at its San Diego, California plant. 11/

8/ Alta Technology, Inc.'s Response to Staff Letter of October 27, 1982. Pursuant to a change of plan, the ticket dispenser listed in the response will not be imported.

9/ Post-Conference Brief of Alta Technology, Inc., p. 9; Rept. at A-2.

10/ Our definition does not include equipment used in turnpike and amusement park applications. While such equipment resembles AFC equipment to a limited degree, it has distinct functions and uses. Transcript at 79; See Rept. at A-2.

11/ Information obtained from counsel for Cubic Western Data Corp. (Nov. 10, 1982); Transcript of Commission Conference at 41-43 (Nov. 2, 1982) ("Transcript"). While Cubic purchases a computer for the station center control booth ("BRCU"), it adds components of Cubic's own manufacture and
(Footnote continued)

To our knowledge, Cubic is the only domestic producer of each of the products like the imported articles within the meaning of section 771(10) of the Tariff Act of 1930 and therefore constitutes the domestic industry. 12/ Cubic, however, does not maintain separate profit-and-loss allocations for each component in the ordinary course of business. 13/ Moreover, inasmuch as each of the products is a component of a larger item, such as a ticket vending machine or a gate, it is difficult to break out the products as a part of the overall production process. While separate identification of each product may be theoretically possible, no meaningful allocations are available at this stage in the investigation. 14/ Accordingly, we assess the impact of the allegedly subsidized imports against the entire AFC operations of Cubic Western Data Corp. pursuant to section 777(4)(D) of the Tariff Act of 1930. 15/

Related Parties

Alta Technology, Inc., assembles farecard equipment at its Stamford, Connecticut plant. In its Post-Conference Brief, Alta contends that it is part of the U.S. industry. 16/

(Footnote continued)

programs the computer software. Cubic does not manufacture turnstiles of the type required by Baltimore. Such turnstiles are subcontracted to another firm. Cubic does produce an electronic gate of the type used in the Washington, D.C. system. We conclude that electronic gates are an alternative means of controlling passenger access to the system, and are similar to a turnstile mechanism.

12/ It is possible that Duncan Industries also produces products "like" the imported article. Duncan, however, has advised the Commission that it is not currently engaged in the production of AFC equipment and has not supplied the Commission with data.

13/ Letter from counsel for Cubic Western Data Corp., p. 1 (Nov. 17, 1982).

14/ Id.

15/ 19 U.S.C. § 1677(4)(D).

16/ Post-Conference Brief of Alta Technology, Inc., p. 19 (Nov. 5, 1982).

We determine, however, that even assuming arguendo Alta is engaged in the manufacture of like products in the United States, Alta is a "related party" under section 777(4)(B). Section 777(4)(B) provides:

(B) RELATED PARTIES.--When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term "industry" may be applied in appropriate circumstances by excluding such producers from those included in that industry.

19 U.S.C. § 1677(4)(B). CGA, as the holder of 90 percent of Alta's stock, possesses a controlling interest in the company. ^{17/} The close relationship between the two companies, moreover, goes beyond stock ownership. Alta is the beneficiary of CGA's experience and expertise in the AFC field and has access to CGA technology and engineering.

Unlike the rest of the domestic industry, Alta imports allegedly subsidized articles from its parent, CGA, and from other French manufacturers, such as Klein and CAMP. To the extent that Alta benefits from imports of allegedly subsidized French articles, its inclusion in the domestic AFC equipment industry would distort the Commission's analysis. For example, if Alta receives a unique benefit from allegedly subsidized AFC equipment, inclusion of Alta's profits in the industry's aggregate financial figures could conceal a decline in the domestic industry's profits.

No Reasonable Indication of Material Injury By Reason of Allegedly Subsidized Imports

Section 701 provides that the material injury or the threat thereof must be "by reason of" imports of the allegedly subsidized class or kind of

^{17/} Statement of James H. Pyle, President and Chief Executive Officer Alta Technology, Inc., p. 2.

merchandise. 18/ The legislative history of the Trade Agreements Act of 1979 explains that: 19/

While injury caused by unfair competition, such as subsidization, does not require as strong a causation link to imports as would be required in determining the existence of injury under fair trade import relief laws, the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the subsidization and the requisite injury. The determination of the ITC with respect to causation, is, under current law, and will be, under section 705, complex and difficult, and is a matter for the judgment of the ITC.

Petitioner Cubic Western Data Corp. claims that it has been materially injured by the loss of the Baltimore contract awarded to Alta/CGA. AFC equipment is sold through a bidding process. Under Maryland law, the MMTA required AFC producers to submit sealed bids to specifications drawn up by the MMTA. 20/ Bids were received from Cubic Western, Alta/CGA, another French company, Crouzet, and a Canadian company, BG Checo Int., Ltd.

The bids were opened at a public meeting on December 18, 1980, and revealed the following: 21/

Cubic Western	\$7,998,785.00
Alta/CGA	\$9,876,692.00
Crouzet	\$9,790,401.00
BG Checo Int., Ltd.	\$14,399,890.00

18/ Commissioner Stern notes that the "by reason of" language of the statute implements the "causal link" requirement of the Subsidies Code. Under the Code, "[i]t must be demonstrated that the subsidized imports are, through the effects of the subsidy, causing injury within the meaning of this agreement." Agreement on Interpretation and Application of Articles VI, XVI, and XXIII Of the General Agreement on Tariffs and Trade, Article 2, Para. 1(c) (emphasis added). See Views of Commissioner Stern in Certain Snow Grooming Machines, Parts Thereof and Accessories Therefor from the Federal Republic of Germany, Inv. No. 731-TA-36 (Preliminary), USITC Pub. No. 1117, p. 13 (Dec. 1980).

19/ S. Rept. No. 96-249, 96th Cong., 1st Sess., p. 58 (1979).

20/ Rept., p. A-9, A-10, and A-16.

21/ Rept. at A-18 et seq.

Upon further examination, the MMTA deemed two bids, those of Cubic and Crouzet, as "non-responsive." 22/ Cubic's bid document failed to provide separate, line-by-line prices as required by the MMTA and did not include certain features desired by the MMTA. Moreover, the Cubic bid was a "price proposal," not a bid, and sought further negotiations with the MMTA. In accordance with Maryland procurement law, the MMTA refused to consider Cubic's bid. 23/

Cubic readily admits that its bid was non-responsive. 24/ However, Cubic contends that it did not believe that a system could be built to the stated specifications within the MMTA's time limits and its perception of the budgetary limitations of the MMTA. 25/ Cubic maintains that in order to avoid bidding on a project it knew would not be feasible, Cubic attempted to convince the MMTA that by dropping "impossible," "gold-plated" specifications, the MMTA could obtain a satisfactory system at a lower price. 26/ Cubic's stated belief was that all of the bids would be far above the MMTA's budget, and that the project necessarily would have to be rebid with changed specifications. 27/ Cubic, however, did not foresee that Alta/CGA would submit a \$9,876,000 bid, or that the MMTA would accept the bid even though it exceeded the MMTA's cost estimate of \$8,091,520.

22/ See Rept. at A-18; Post Petition Exhibit Y-4 (letter dated Jan. 6, 1981). The Crouzet bid was in French francs and was contingent on future fluctuations in exchange rates. The MMTA required a sum certain.

23/ Id.

24/ See e.g. Petition at 47.

25/ See e.g. Transcript at 11-15, 17-20, 24-26, 35-36, 44-45, 50 etc. This belief is reflected in an exchange of correspondence between Cubic and the MMTA before and after the bid. See Post-Petition Exhibits of Cubic Western Data, Inc., Tabs Y-1 - Y-7; Statement of James H. Pyle, Annex B et seq.

26/ See Transcript at 12, 17, 50.

27/ Id. at 11-15.

In our view, the non-responsive bid precludes the establishment of any causal link between the French imports and any alleged injury to Cubic. 28/ The business decision not to meet the bidding requirements led to Cubic's non-responsive bid and the loss of the contract, not competition from Alta/CGA. By its non-responsive bid, Cubic knowingly foreclosed itself from consideration in the December 18, 1980 round of bidding and instead chose to rely on the possibility of some future round under changed specifications. Since Maryland procurement law precluded the MMTA from considering Cubic's proposal, Cubic's loss of the Baltimore contract was the direct result of its decision not to submit a responsive bid.

Cubic further contends that it was in competition with Alta/CGA even though it filed a non-responsive bid. Cubic regards the non-responsive bid as part of an overall strategy to win the contract under specifications acceptable to Cubic. 29/ In Cubic's view, the Baltimore contract represents the loss of a job it hoped to win. We agree that in a broad sense Cubic was in "competition" with Alta/CGA. However, in the context of the Baltimore contract, it is clear that there was no "competition" in the sense of two sellers ready and willing to immediately commence performance of the Baltimore contract in accordance with the desired specifications. Accordingly, there is no "causal link."

28/ A similar "causal link" problem was presented in Certain Commuter Airplanes from France and Italy, Inv. No. 701-TA-174 and 175 (Preliminary), USITC Pub. No. 1269 (July 1982): The domestic petitioner, Commuter Aircraft Corporation, had begun construction of a plant, but had not provided potential buyers with "detailed specifications documents." A purchaser could not be expected to enter into serious sales negotiations without such specifications. The Commission found that "the record does not provide a reasonable indication of a causal link . . ." Id. at 9. We stated: "A seller who does not provide detailed specifications cannot be said to be in head-to-head competition for the sale." Id. at 10.

29/ Post-Conference Brief of Cubic Western Data, Inc. at 3, 12, 24-27.

Cubic also claims that absent the Alta/CGA bid, the MMTA would have been compelled to seek a rebid. Cubic argues that Alta/CGA deprived Cubic of an opportunity to win the contract in a second round of bidding. This scenario is completely conjectural and is not supported by the information available. Indeed, according to the MMTA, the agency responsible for letting the contract, it is unlikely that the contract would have been rebid. In response to a Commission request for information, the MMTA stated that absent the Alta/CGA bid, the MMTA would probably have awarded the contract to the other responsive bidder, BG Checo Int., Ltd. 30/ The MMTA's response goes on to explain in detail that a rebid would have subjected it to possible liability for wrongful rejection, delayed installation of the AFC system for up to 6 months, required it to devise an alternative method of collecting fares in the interim, and deterred potential bidders whose prices had been revealed by the first round of bidding. 31/

In any case, even assuming a rebid, the "causal link" still remains speculative. Based on the information contained in the record, it is impossible to predict what would have occurred on a rebid. 32/

Price Suppression

At the Commission's Conference of November 2, 1982, or approximately 20 days after the filing of the petition, Cubic Western for the first time raised an argument of price suppression in connection with another contract let by the

30/ The MMTA was asked what it would have done absent the Alta/CGA bid. The MMTA replied: "Although this issue was not faced during the procurement, it appears that we would have probably awarded the contract to BG Checo Int., Ltd." Response of MMTA to Written Questions, p. 4 (Nov. 9, 1982).

31/ Id. at 5.

32/ See e.g., Transcript at 47-48.

Dade County Transportation Authority ("Miami contract") on November 16, 1982. 33/

While section 771(7)(C)(ii) mentions price suppression, the statute also provides that the "presence or absence of any factor which the Commission is required to evaluate under subparagraph (C) or (D) shall not necessarily give decisive guidance with respect to the determination by the Commission of material injury." 19 U.S.C. § 1677(7)(E).

The legislative history directs us to consider whether imports have "depressed or suppressed prices to a significant degree." S. Rept. No. 96-249, 96th Cong., 1st Sess., p. 87 (1979). Cubic Western officials testified that because of French imports, they reduced their expected profit on the Miami project. Although Cubic expects to make a profit on the Miami job, Cubic has argued that its expected profit is less than its standard mark-up. 34/ Nevertheless, the profit figure provided is within the range of Cubic's historical profits on its AFC equipment operations. 35/

The other information as to price suppression proffered by Cubic is insufficient. Cubic contends that the bids for the Miami contract were below the engineer's estimate and below the Administration's published budget of \$6 million. While this claim is true, the best information available indicates that the engineer's estimate does not provide a valid basis for comparison. There were significant changes in the specifications resulting from the

33/ Transcript at 29-32. Presumably Cubic was aware of any price suppression when it filed the petition or shortly thereafter. We have considered the issue even though it was raised well after our investigation was instituted. Our determination is based on the best information available. We believe that we have sufficient information to decide the issue.

34/ See e.g. Post-Conference Brief of Cubic Western Data Corp. at 4, 14; Transcript at 8, 29-30.

35/ See Rept. at A-13, Table 8.

adoption of a less sophisticated system and a move to performance-based specifications. 36/ Under these circumstances, the estimate is not a reliable indicator of price suppression.

Cubic also offers as a basis for comparison its expected profits on second phase contracts for the Atlanta and Washington, D.C., systems awarded in April and July 1981, respectively. 37/ Even if Cubic's prediction concerning higher profits on the Atlanta and Washington, D.C. contracts eventually proves to be accurate, the jobs do not provide a valid basis for comparison. Both are second-phase additions to existing systems built by Cubic. Cubic's costs will be much lower and therefore it is reasonable to anticipate higher profits. 38/ Accordingly, we find no reasonable indication that Cubic's prices were suppressed to a significant degree. In addition, any limited indications of price suppression under the facts of this investigation would not be enough, taken alone, to justify an affirmative determination, in view of the competitiveness of the domestic industry. 39/

No Reasonable Indication of A Threat of Material Injury

With respect to the issue of threat, the legislative history of section 701 provides:

In examining threat of material injury, the ITC will determine the likelihood of a particular situation developing into actual material injury. In this regard, demonstrable trends--for example, the rate of increase of the subsidized or dumped exports to the U.S. market, capacity in the exporting country to generate exports, the likelihood that such exports will be directed to the U.S.

36/ Rept. at A-23; Transcript at 54, 73-74.

37/ Rept. at A-23; Transcript at 53.

38/ Rept. at A-23.

39/ See e.g. Rept. at A-13, Table 8.

market taking into account the availability of other export markets, and the nature of the subsidy in question (i.e., is the subsidy the sort that is likely to generate exports to the U.S.)--will be important.

H.R. Rept. No. 96-317, 96th Cong., 1st Sess., p. 47 (1979).

A threat of material injury must be "real and imminent," not "speculation and conjecture." Alberta Gas Chemicals, Inc. v. United States, 483 F. Supp 303 (C.I.T. 1980). In this case, the most recent competition between Cubic and Alta/CGA does not provide a sufficient basis for a finding of a reasonable indication that the domestic industry is threatened with material injury. The Baltimore contract, where Cubic was deemed non-responsive, and the Miami contract, which was won by Cubic, do not provide a sufficient historical pattern to predict a threat of future injury.

Furthermore, the best information available shows that future construction of mass transit systems is uncertain and contingent on the availability of funding. In addition, the amount (if any) of the subject imported products to be associated with such contracts would be conjectural. 40/ The few AFC contracts likely to be awarded in the United States in the next few years are replacements to existing AFC systems built by Cubic. Cubic would have a significant advantage in such procurements by virtue of its work on the original systems. 41/

Cubic's AFC operations have remained profitable throughout the period under investigation. 42/ Indeed, the firm attained its highest profitability ratios in the last two years when the impact of not winning the Baltimore job should have manifested itself. In the next few years, as work on the Miami

40/ Transcript at 77.

41/ Rept. at A-11.

42/ Rept. at A-13, Table 8.

contract gets underway, the firm's sales, employment, and capacity utilization picture should improve.

Finally, Cubic's argument that the industry has lost valuable research and development opportunities and therefore is threatened with material injury is not persuasive. It does not appear that either the Miami or Baltimore procurements involve state of the art systems or that the AFC industry is experiencing rapid technological advances. Indeed, Cubic Western opposed redesigned systems in Baltimore and Miami in favor of off-the-shelf equipment. 43/

Conclusion

Based on the best information available, we find no reasonable indication that allegedly subsidized imports of AFC equipment have caused or threaten material injury to the domestic industry.

43/ Transcript at 114.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On October 12, 1982, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel for Cubic Western Data, Inc., alleging that an industry in the United States is being injured by reason of imports of automated fare collection equipment that were being subsidized by the Government of France. On October 18, 1982, the Commission instituted a preliminary countervailing duty investigation under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports provided for in items 676.15, 676.25, 676.30, 676.52, 678.40, and 678.50 of the Tariff Schedules of the United States (TSUS). The statute directs that the Commission make its determination within 45 days of its receipt of a petition, or, in this case, by November 26, 1982. Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of its notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of October 21, 1982 (47 F.R. 46906). 1/ The public conference was held in Washington, D.C., on November 2, 1982. 2/ The briefing and vote in this investigation were held on November 19, 1982.

Description and Uses

Automated fare collection (AFC) systems consist of equipment used for the collection of fares, entry into and exit from stations, and the recording and processing of these events. They are primarily used in urban transit systems, such as subways and/or connecting bus lines. Other potential applications for AFC systems include stadiums and amusement parks.

A typical AFC system consists of coin- and/or bill-collecting machines, ticket vending machines, "add-fare" machines, fare tickets, bill-changing machines, ticket-accepting gates used to control passenger entry and exit, handicapped entry and exit gates, central data acquisition and display equipment, and related equipment. A given AFC system will include some or all of this equipment, which will be designed to the specifications required to meet the needs of each system.

The petitioner alleges injury due to the importation of certain AFC equipment from France. The subject products are being imported by Alta Technology, Inc., Stamford, Conn., in connection with its contract to provide an AFC system to the Maryland Mass Transit Administration for its Baltimore Region Rapid Transit System (BRRTS). An illustration of an installed AFC system is presented in appendix C.

1/ A copy of the Commission's notice of institution is presented in app. A.

2/ A list of witnesses appearing at the conference is presented in app. B.

The major hardware items of the Baltimore AFC system are bill changers, ticket vending machines (TVM's), entry and exit gates, booth registration control units (BRCU's), computers, printers, and display monitors. The bill changers, which accept U.S. \$1 or \$5 bills, return Susan B. Anthony \$1 coins and other U.S. coins which are accepted by the TVM's. The passenger can order either a one-way or round-trip ticket by pushing the proper button on the front panel of the TVM. The appropriate ticket and any change due are then returned to the passenger. The passenger next inserts the ticket into a slot in a gate. A ticket transport mechanism moves the ticket under a series of magnetic reading heads. If the ticket is in order, the machine returns it to the passenger if it is the first leg of a round trip, or retains the ticket if it is for exiting a one-way trip or the return phase of a round trip. The gates will also accept monthly tickets, employee passes, or special promotional tickets. However, these types of tickets must be obtained from ticket agents rather than a TVM.

When bill changers, TVM's, or gates are activated, appropriate data are electronically transmitted to the BRCU in the appropriate station. All data from each station's BRCU are then transmitted to monitoring and auditing equipment (MAE), where all data for the system is collected, aggregated, and monitored. The MAE is actually a centrally located computer which is combined with a video display, printer, and keyboard to form a monitoring and auditing system. Other AFC equipment utilized in the Baltimore system, but not electronically connected to the system, includes gates for the handicapped, emergency exit gates, fare collection boxes, and money carts.

Five subassemblies are imported by Alta for incorporation into the Baltimore AFC system. These are a ticket printer/encoder and a coin-handling mechanism used in the TVM's, the BRCU, and a ticket transport mechanism and a turnstile bracket mechanism used in certain entry and exit gates. The BRCU is entered into the United States under TSUS item 676.52. All other subassemblies are entered under TSUS item 676.30.

U.S. Tariff Treatment

AFC systems comprise assemblies and subassemblies which, if imported, are provided for in TSUS items 676.15, 676.25, 676.30, 676.52, 678.40, and 678.50. However, except for the data processing and display portions of the AFC systems, the items involved are custom designed and manufactured for each system. TSUS statistical data, which cover a broad spectrum of office machines and equipment, are therefore too broad to determine the volume of U.S. imports of these particular articles. Table 1 shows the pre-MTN rate and staged modifications for all the above TSUS items.

Nature and Extent of Alleged Subsidies

The petition alleges that AFC equipment exported from France benefits from a variety of subsidies provided by the French Government. It is alleged that the French Government follows a policy of providing aid to the electronics industry for research and development. Moreover, it is alleged that individual firms engaged in the production of AFC equipment benefit indirectly from various participation loans, "contracts de croissance" (growth contracts), loans at preferential or below market interest rates, tax

Table 1.--AFC systems: U.S. rates of duty, by TSUS items, 1980-87

(Percent ad valorem)												
TSUS item	Pre-MTN : col. 1	Rate of duty effective with respect to articles entered on and after Jan. 1--										
No. 1/	rate of : duty 2/	1980	1981	1982	1983	1984	1985	1986	1987			
676.15	5.5%	5.3%	5.1%	4.9%	4.7%	4.5%	4.3%	4.1%	3.9%			
676.25	5.5%	5.3%	5.1%	4.9%	4.7%	4.5%	4.3%	4.1%	3.9%			
676.30	5.0%	4.8%	4.7%	4.5%	4.4%	4.2%	4.0%	3.9%	3.7%			
676.52	5.5%	5.3%	5.1%	4.9%	4.7%	4.5%	4.3%	4.1%	3.9%			
678.40	5.5%	5.3%	5.1%	4.9%	4.7%	4.5%	4.3%	4.1%	3.9%			
678.50	5.0%	4.8%	4.7%	4.5%	4.4%	4.2%	4.0%	3.9%	3.7%			
1/ TSUS item 676.15 covers accounting, computing, and other data processing machines; item 676.25, other calculating machines(postage-franking machines, ticket-issuing machines, and other similar machines); item 676.30, office machines, not specially provided for; item 676.52, parts of the machines described in items 676.15, 676.25, and 676.30; item 678.40, automatic vending machines and parts thereof; item 678.50, machines not specially provided for, and parts thereof.												
2/ Rate effective prior to Jan. 1, 1980.												

advantages equivalent to interest-free loans, prepayments against future deliveries by state-owned customers (such prepayments being inconsistent with normal commercial considerations), export financing for certain foreign sales (not U.S. sales), research and development subsidies, and equity infusions. The petition further alleges that Compagnie General d'Automatisme (CGA) received subsidies which directly benefited Alta/CGA in their bid for the Baltimore AFC system contract. Such subsidies were estimated by the petitioner at a rate of 18.5 percent in 1981 and 20.7 percent in 1982.

U.S. Producers

Cubic Western Data, Inc. (CWD), the petitioner in this case, is the principal U.S. producer and installer of AFC systems. CWD is a wholly owned subsidiary of Cubic Corp., San Diego, Calif., an electronics-based firm with a number of divisions and subsidiaries. During fiscal year 1981 (October 1980-September 1981), approximately 38 percent of Cubic's business was done either directly or indirectly with agencies of the U.S. Government. The remaining 62 percent of the firm's business involved supplying products for the construction and transportation industries, commercial radio operations, commercial users of data processing equipment, and the medical profession. An analysis of the corporation's sales and profit contribution by line of business is shown in table 2.

Table 2.--Cubic Corp.'s sales and profit contributions, by product lines, fiscal years 1979-81

(In thousands of dollars)				
Item	Year ended Sept. 30--			
	1979	1980	1981	
Elevator products:				
Sales-----	48,842	64,563	86,100	
Profit contribution <u>1/</u> -----	5,520	5,609	8,878	
Defense electronic systems:				
Sales-----	61,204	73,024	79,942	
Profit contribution <u>1/</u> -----	6,594	7,282	7,765	
Fare collection systems:				
Sales-----	29,177	24,239	18,960	
Profit contribution <u>1/</u> -----	1,117	1,261	1,841	
Other industries:				
Sales-----	32,489	34,560	43,242	
Profit contribution <u>1/</u> -----	5,791	5,342	6,697	

1/ Before general corporate expenses, interest, and income taxes.

Source: Cubic Corp.'s, annual report for 1981.

As shown in the following tabulation, fare collection systems' share of the corporation's sales declined although the share of the profit contribution of this product line increased:

<u>Year ended Sept. 30--</u>	<u>Percent of total sales</u>	<u>Percent of total profit contribution</u>
1979-----	17.0	5.9
1980-----	12.0	5.9
1981-----	8.3	7.3

CWD was formed in 1971 as a division of Cubic Corp. following the acquisition of Western Data Products, Inc. The principals of Western Data Products were former employees of Litton Industries, Inc., which had begun to explore the market for automated fare collection equipment in the late sixties. CWD's first large contract was for the installation of an AFC system for the Illinois Central Gulf Railroad in Chicago. Since its entry into the industry, CWD has participated in 13 major AFC system procurements in the United States and 3 other countries. The firm became a wholly owned subsidiary of Cubic Corp. in 1974. In addition to AFC equipment, CWD is also involved in the marketing of electronic navigational aids and several other electronics-related ventures.

The only other U.S. producer currently bidding on AFC equipment contracts is Duncan Industries, Inc., Elk Grove Village, Ill., a division of Quonaar Corp. This firm is primarily a manufacturer of parking meters and electronic fare boxes, although it has competed in the past for AFC equipment contracts. In 1977, Duncan competed against CWD for the Metropolitan Atlanta Rapid Transit contract. Although Duncan was the apparent low bidder, the contract was readvertised and CWD subsequently won the bid. In 1978, Duncan received a \$1.6 million contract from the Municipal Railway in San Francisco for the installation of computer-controlled turnstiles. Also in 1978, the firm received a \$300,000 contract for magnetic card/coin-operated turnstile gates for the Personal Rapid Transit system in Morgantown, W. Va.. These were the firm's last AFC system contracts. However, Duncan made an initial bid on the Metropolitan Dade County Transit procurement of an AFC system in 1982; it did not offer a bid to the Miami authorities in the final round of bidding on the procurement. The contract for the Miami system was awarded to CWD on November 16, 1982.

In addition to CWD and Duncan, three other U.S. firms have been involved in the production of AFC equipment. Litton Industries, Inc., Beverly Hills, Calif., was the first U.S. firm to explore the AFC market. However, since an initial contract with the Illinois Central Gulf Railroad in 1966, Litton has apparently never offered a final bid on an AFC contract in the United States and ceased bidding on foreign contracts in the late seventies. IBM Corp. bid on and won the original Bay Area Rapid Transit (BART) (San Francisco) AFC system contract in 1974. The firm completed its contract obligations for the first phase of the system but failed to bid on subsequent phases or on any

other AFC equipment contracts. The third firm, Control Data Corp., Minneapolis, Minn., was awarded a contract in April 1972 by the Washington Metropolitan Area Transit Authority. The \$17.2 million contract provided for the delivery of over 800 pieces of AFC equipment for use on the Washington Metrorail system, which was scheduled to open in September 1975. ^{1/} However, CDC fell behind schedule and was unable to deliver any equipment. In April 1975, Metro, citing breach of contract, canceled its agreement with Control Data and signed a \$42 million contract with CWD for installation of AFC equipment in the first 50 miles of the subway system. Control Data has not bid on any subsequent AFC equipment contracts.

In addition to prime contractors, a number of U.S. firms act as subcontractors on AFC equipment contracts. CWD has purchased over 20 AFC components from firms in the United States. ^{2/} This equipment ranges from coin acceptors to minicomputers. However, the common factor for all such equipment is that it is manufactured to exact specifications that make it suitable for use in a specific AFC system. All the producers of this equipment have other markets for their products which are much more extensive than AFC systems.

U.S. Importers

The only known importer of AFC equipment from France is Alta Technology, Inc., Stamford, Conn. Alta was formed in March 1980 by the three principals who are today its senior officers. These individuals had been officers of Perifonics, Inc., a unit of Exxon Enterprises, Inc. Perifonics was involved in data communications systems in the banking area. After being notified by Exxon that the development of a new advanced line of products would not be financed, Perifonics began to seek a new corporate sponsor. After an interest was shown by Compagnie General d'Automatisme, Exxon moved to acquire a controlling interest in Perifonics. At this point, the current officers of Alta sold their interest in Perifonics and formed the new corporation. Shortly thereafter, CGA purchased a controlling share (90 percent) in Alta. CGA made an equity investment of \$6 million and offered an additional \$2.5 million in debt financing for the first 5 years of operation. A cross-licensing arrangement gives Alta access to the proven computer products available in Europe from CGA; the firm will manufacture these products to American standards and market them in the United States and Canada.

Alta began operations in Stamford on April 1, 1980. It is located in a 42,000-square-foot manufacturing, laboratory, and administrative facility and currently employs 89 administrative, design, manufacturing, and testing personnel.

^{1/} Mass Transit, May 1982, p. 7.

^{2/} A list of the components produced or subcontracted by CWD is presented in app. D.

Alta's first product was a check-encoding machine designed by CGA. Although the first 50 machines sold by Alta were imported directly from France, Alta has developed a redesigned unit which is assembled from components purchased from U.S. firms. Alta's strategy is to produce the equipment it markets in the United States as soon as is economically feasible. ^{1/} In late 1980, Alta entered into bidding for an AFC equipment contract for the Baltimore Region Rapid Transit System. Due to its parent's extensive experience in this field, a joint-venture bid was entered. On February 4, 1981, the joint venture was awarded the contract as the lowest responsive bidder. The Baltimore procurement was Alta's first attempt to enter the AFC market in the United States. Prior to the Baltimore bid, neither Alta nor CGA had bid on any U.S. AFC system. In addition to the Baltimore AFC equipment contract, Alta is also providing an automated toll revenue system to the Pennsylvania Turnpike Authority. It is also involved in the technical development of various communications products, distribution/inventory control systems, and comparable products.

Alta is organized into three areas--banking systems, AFC systems, and technical development. The AFC systems group is further divided into toll revenue (turnpikes) and fare collection (mass transit systems). The firm's revenues in 1982 will be approximately * * * million. AFC systems will account for approximately * * * million, with toll revenue and fare collection contributing * * *.

The French Industry

AFC equipment is known to be produced by the following French firms:

Compagnie Generale d'Automatisme
Construction d'Appareils Mecanique de
Precision (CAMP)
Crouzet, S.A.
Etablissements George Klein

CGA is the principal French manufacturer and/or exporter of AFC equipment. It designs AFC systems and produces electronic subcomponents, gates, and monitoring and auditing equipment. Since 1966, CGA has installed 12 AFC systems in 7 different countries: Brazil, Canada, Chile, France, Norway, Spain, and Venezuela. Crouzet has produced AFC equipment for several years. The firm was involved in the Paris metro system, as well as the Marseilles, Lilles, and Lyons systems and is currently producing equipment for the Caracas, Venezuela, metro system as a subcontractor to CGA.

Etablissements George Klein is a producer of gates, mechanical components, and cabinetry for AFC systems. The firm, which has provided equipment to CGA on subcontract, is currently supplying part of the turnstile mechanism for the Baltimore system. CAMP is a producer of ticket transport mechanisms for TVM's and gates. It has often supplied equipment to CGA and was recently acquired by that firm.

^{1/} Statement of James H. Pyle, president and chief executive officer, Alta Technology, Inc., at the public conference, p. 2. Also transcript of the conference, p. 77.

Data on the French industry's capacity and anticipated involvement in AFC contracts are not available.

AFC Equipment Markets

AFC equipment is utilized primarily in mass-transit applications such as subway and commuter rail systems, which provide an international market for the sale of AFC equipment. Additional applications for stadiums and amusement parks are being developed. Certain components of the overall system, such as ticket vending machines, can be designed for use in toll collection applications (turnpikes) and automatic ticket dispensing (airline ticket machines).

U.S. market

The use of AFC equipment for mass-transit applications developed in the United States in the mid-sixties. Advanced Data Systems, a subsidiary of Litton Industries, had developed an experimental AFC system. The Illinois Central Gulf Railroad (ICGR) contracted with Litton for an AFC system in Chicago. After the system was opened in 1966 it encountered significant problems. In 1971, ICGR entered into a research contract with Western Data Products, to study the system's problems. After Western Data Products was acquired by Cubic Corp., the new firm, Cubic Western Data, was awarded a \$4.6 million contract by ICGR to redesign the Chicago system. ^{1/} Subsequent U.S. contracts for AFC equipment are shown in table 3.

Table 3.--Major U.S. contracts for mass-transit AFC systems, specified years, 1973 to 1981

Year	Mass-transit system	Contract value
		<u>Million dollars</u>
1973-----	Port Authority Transit Corp. (Philadelphia)---	1.0
1974-----	Bay Area Rapid Transit (San Francisco) : (2d phase).	7.4
1976-----	Washington Metropolitan Area Transit : Authority (1st phase).	54.0
1977-----	Metropolitan Atlanta Rapid Transit Authority : (1st phase).	2.7
1981-----	Metropolitan Atlanta Rapid Transit Authority : (2d phase).	6.6
	Washington Metropolitan Area Transit Authority: : (2d phase).	5.3
	: BRRTS-----	9.9
	: Metropolitan Dade County Miami Rapid Transit : System.	4.3

Source: Compiled from data submitted by Cubic Western Data, Inc.

^{1/} Electronic Business, August 1978, pp. 14-22.

With the exception of the Baltimore system, CWD was the prime contractor in each major U.S. procurement. Since 1976, competition for these contracts has involved Canadian and French producers. An additional AFC equipment contract was awarded in May 1981 by Walt Disney World Co. The \$2.0 million contract was for installation of an AFC system at the recently opened EPCOT Center in Florida. Although both CWD and Alta bid on this contract, the low bidder was a Canadian firm--Automatec, a division of BG Checo International, Montreal.

International markets

AFC systems were first utilized in France during the late sixties as the French rail system was modernized. The oil crisis in the early seventies led to a worldwide boom in mass-transit systems, with a resultant demand for AFC equipment. Major foreign AFC equipment procurements are shown in table 4.

Table 4.--Major foreign contracts for mass-transit
AFC systems, 1976-82

Year	Location of mass-transit system	Contract value
		Million dollars
1976-----	Hong Kong-----	16.0
1977-----	Sydney, Australia-----	1.7
1978-----	Hong Kong-----	16.0
1979-----	London, England-----	***
1980-----	Caracas, Venezuela-----	16.7
1981-----	Hong Kong-----	8.0
1982-----	-----do-----	10.6

Source: Compiled from data submitted by Cubic Western Data, Inc.

CWD's major competition for foreign contracts has come from CGA, of France, and Marubeni, of Japan. However, CWD was the successful bidder for all foreign contracts until 1980, when it lost the Caracas, Venezuela, contract to CGA. In 1982, CWD again lost to CGA in competition for the Island Line of the Hong Kong Mass Transit Railway.

The Question of Material Injury or the Threat Thereof

The parties to this investigation have focused their presentations on competition for two contracts: one by the Maryland Mass Transit Administration and the other by the Metropolitan Dade County Transportation Administration. Alta/CGA won the Baltimore procurement, and CWD secured the Miami contract over a competing bid by Alta. Thus, petitioner CWD claims that it suffered material injury by reason of its loss of the Baltimore contract and price suppression in connection with the Miami procurement. Alta/CGA's response is that CWD lost the Baltimore contract because CWD filed an

admittedly nonresponsive bid and that there is no evidence of price suppression. These contentions are documented in the petition, the parties' postconference briefs, and in the conference transcript.

This report, for the sake of completeness, provides historical data on the AFC equipment market as well as on the specific contracts. However, such historical data is of limited usefulness since Alta/CGA did not enter the AFC market until December 1980, when it secured the Baltimore contract. Hence, declines in the industry's performance prior to December 1980 would appear unrelated to import competition, although such declines may be relevant to the issue of threat of material injury.

In examining the impact of imports on the affected industry, the statute (sec. 771(7)(c)(iii)) directs the Commission to "evaluate all relevant economic factors which have a bearing on the state of the industry, including, but not limited to--

(I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,

(II) factors affecting domestic prices, and

(III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment.

Because of the nature of the product and the industry, however, some of the above factors cannot be readily evaluated in a market such as that for AFC equipment. Capacity and, therefore, capacity utilization for a standard industry can be measured in terms of equipment and output. However, producers of AFC systems subcontract a large portion of actual component manufacturing to other firms. As a result, the capacity for a firm such as CWD is measured in floorspace for its design and engineering employees. Since each AFC equipment contract calls for different design and engineering inputs, utilization of floorspace would be a very unreliable indicator of a firm's performance. Similarly, productivity of employees varies according to the complexity of the contract and the number of units needed for the AFC system being produced. Consequently, the analysis of material injury focuses on the value of AFC equipment sold in relation to specific contracts, as well as the traditional factors associated with employment and financial experience.

CWD has been involved as a prime contractor on AFC systems since 1972. As a prime contractor, the firm bids on contracts offered by potential purchasers (usually mass-transit authorities). Upon award of a contract, CWD either produces the necessary system components or subcontracts such production, 1/ tests completed components, and then assembles and installs the components.

1/ See app. D.

As shown in table 5, CWD has received 14 AFC equipment contracts since 1979. The nature of these contracts points out the importance of winning the initial contract award for an AFC system. Nine of the 14 contracts obtained by CWD were for contract modifications for supplementary equipment or changes and additional orders for maintenance services and spare parts. These contracts represented over * * * percent of the total value of all contracts. Although mass-transit authorities can contract such work to other firms, the original contractor holds a clear competitive advantage in bidding on

Table 5.--AFC equipment: Contracts awarded to CWD, fiscal years 1979-81

Year ended : Sept. 30-- :	Contract name and location :	Contract : value :	Service : supplied
:	:	1,000 :	:
:	:	dollars :	:
1979-----:	Mass Transit Railway Corp. (MTRC), :	*** :	***
:	Hong Kong. :	:	:
:	Washington Metropolitan Transit :	*** :	***
:	Authority (WMATA), Washington. :	:	:
1980-----:	MTRC, Hong Kong-----:	*** :	***
:	Kowloon-Canton Railway (KCR) :	:	:
:	Hong Kong-----:	*** :	***
:	London Transport (LTE) London-----:	*** :	***
:	WMATA, Washington-----:	*** :	***
:	:	:	:
1981-----:	MTRC, Hong Kong-----:	*** :	***
:	LTE, London-----:	*** :	***
:	Metropolitan Atlanta Rapid Transit :	*** :	***
:	Authority (MARTA), Atlanta. :	:	:
:	WMATA, Washington-----:	:	:
:	:	:	:
1982-----:	MTRC, Hong Kong-----:	*** :	***
:	KCR, Hong Kong-----:	*** :	***
:	MARTA, Atlanta-----:	*** :	***
:	:	:	:
1982-----:	WMATA, Washington <u>1/</u> -----:	*** :	***
:	:	:	:

1/ For additional equipment to service the expanded Metro system.

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

these services. CWD had built all the existing U.S. AFC systems and could expect future contracts to maintain and refurbish these systems or provide new equipment as the systems expand.

Table 6 details the value of CWD's sales of AFC equipment on a fiscal-year basis. The sales were reported on a percentage-of-contract-completion basis.

Table 6.--AFC equipment: CWD's shipments to domestic and foreign customers, fiscal years 1979-82

(In thousands of dollars)

Item	Year ended September 30--			
	1979	1980	1981	1982
Domestic shipments--	***	***	***	<u>1/</u> ***
Exports-----	***	***	***	***
Total-----	***	***	***	***

1/ Shipments for October-August. Domestic and export shipment values are estimated.

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

CWD employs several hundred persons in its facilities producing AFC equipment. Prior to 1981, actual production of components was undertaken in CWD's own manufacturing facility. However, due to a low level of AFC business, the manufacturing facilities for AFC equipment were consolidated with those of Cubic Defense Systems, another subsidiary of Cubic Corp. Starting in October 1981, all manufacturing of components was done at Cubic Defense Systems. The average number of production and related workers employed in the production of AFC equipment (including employees at Cubic Defense Systems), as well as the number of hours worked and total wages, are shown in table 7.

Table 7.--Average number of U.S. production and related workers engaged in the manufacture of AFC equipment, hours worked by such workers, wages paid, and total compensation, fiscal years 1979-82

Item	Year ended Sept. 30--			
	1979	1980	1981	1982 <u>2/</u>
Number of workers-----	***	***	***	***
Change from previous period				
percent--	<u>1/</u>	***	***	***
Hours worked-----thousands--	***	***	***	***
Change from previous period				
percent--	<u>1/</u>	***	***	***
Wages paid-----per hour--	***	***	***	***
Change from previous period				
percent--	<u>1/</u>	***	***	***
Total compensation--per hour--	***	***	***	***
Change from previous period				
percent--	<u>1/</u>	***	***	***

1/ Not available.

2/ October-August.

A-12

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

As shown in table 8, CWD experienced declining sales of AFC equipment. Representatives of CWD stated that AFC equipment sales peaked in * * *. The value of net sales decreased from * * * million in 1979 to * * * million in 1982 (October-August), or by * * * percent. During the same period, net operating profit increased from * * * million (* * * percent of net sales) in 1979 to * * * million (* * * percent of net sales) in 1981. Profit declined to * * * million in 1982 (* * * percent of net sales). Overall operations of CWD showed a similar decline in the value of net sales. Net operating profit declined irregularly throughout the period from * * * million in 1979 to * * * million in 1982; however, profit increased in relation to sales, from * * * percent in 1979 to * * * percent in 1982.

Table 8.--Profit-and-loss experience of CWD on its AFC equipment operations, and on its overall operations, fiscal years 1979-82

Item	Year ended Sept. 30--			
	1979	1980	1981	1982 <u>1/</u>
AFC equipment operations				
Net sales-----1,000 dollars--:	***	***	***	***
Cost of goods sold-----do----:	***	***	***	***
Gross profit-----do----:	***	***	***	***
General, selling, and administra-				
tive expenses-----1,000 dollars--:	***	***	***	***
Net operating profit-----do----:	***	***	***	***
Ratio of net operating profit to				
net sales-----percent--:	***	***	***	***
Overall operations				
Net sales-----1,000 dollars--:	***	***	***	***
Cost of goods sold-----do----:	***	***	***	***
Gross profit-----do----:	***	***	***	***
General, selling, and administra-				
tive expenses-----1,000 dollars--:	***	***	***	***
Net operating profit-----do----:	***	***	***	***
Ratio of net operating profit to				
net sales-----percent--:	***	***	***	***

1/ October-August.

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

During fiscal years 1978 to 1981, CWD's research and development expenses
 * * * irregularly, as shown in the following tabulation:

* * * * *

Research and development expenditures * * * in 1982 * * *.

As shown in table 9, information provided by CWD suggests that approximately * * * percent of the value of future AFC equipment contracts will be the result of projects in the United States. Successful performance of the Baltimore contract by Alta should establish that firm as a serious competitor for future domestic AFC equipment contracts. CGA should continue to be a strong competitor in the international market even if its participation in the U.S. market declines as Alta begins production of AFC equipment in the United States.

Table 9.--AFC equipment: Long-range procurement forecast, 1983-88

* * * * *

The Question of the Causal Relationship Between Allegedly Subsidized
Imports and Alleged Material Injury or Threat Thereof

U.S. imports

Petitioners allege that imports of certain AFC equipment or parts therefor from France are causing material injury or threatening to cause such injury to the domestic AFC equipment industry. The imported products are to be used in the Baltimore Region Rapid Transit AFC system, pursuant to the award of a contract in February 1981 to a joint venture by Alta and CGA. In testimony at the Commission's public conference, Mr. James Pyle, president of Alta, provided the following details concerning the contract:

- (1) Total contract value is approximately \$10.0 million.
- (2) Value of the French contribution, including both equipment and engineering, will be approximately \$5.0 million.
- (3) Only five components will be imported from France.
- (4) Components from France, although electromechanical in nature, will not be imported with electronic circuit boards. Such electronic components will be manufactured in the United States. 1/

The contract for the Baltimore AFC system (section A) includes 40 ticket vending machines. Within these machines are two components which are to be imported from France. The first is the coin-handling mechanism, which is produced by CGA. The second imported component is the ticket-encoding module, produced in France by CAMP. All other parts of the TVM's, including the cabinetry, power supplies, coin vaults, and electronic circuitry, are to be provided by U.S. firms. The Baltimore system will also contain a variety of gates within which two more imported components are found. A ticket-transport mechanism is imported from CAMP, and a turnstile-bracket mechanism (which controls the movement of the turnstile) is imported from Etablissements George Klein. The last component imported from France is the booth registration control unit. This is a microprocessor control device that monitors the performance of the various components of the AFC system in each subway station. The BRCU also allows the station operator to manually activate the gates in the station. This unit is assembled in France and imported from CGA.

The Baltimore AFC system represents the first domestic AFC equipment contract awarded to a foreign bidder. Alta is therefore the only U.S. importer of such equipment from France.

* * * * *

1/ Transcript of the conference, pp. 81-88.

Recent bid competition for AFC equipment contracts

Bid competition characterizes the market for AFC equipment. This pattern of competition not only has its roots in the systems nature of this product market, but it is also imposed by State laws and Federal procurement procedures. Many States require such contracts to be awarded to the lowest bidder, as does the Urban Mass Transit Act of 1964, which sets forth strict contract award requirements and procedures for mass-transit entities in order for them to qualify for the 80-percent funding provided through the Urban Mass Transit Administration (UMTA).

In practice, there are two forms of bid competition. In one procedure the contract is awarded to the lowest bidder on the basis of sealed bids made in response to an Invitation for Bid (IFB), which contains stated system specifications. In the other form of bid competition, the award is also made to the lowest bidder but is based on competing negotiated proposals in response to a Request for Proposals (RFP), which is tailored to the needs of the awarding mass-transit entity but not based on a rigid set of specifications. The instant investigation has focused on two contracts for AFC equipment. One for the Baltimore Region Rapid Transit system was awarded by the Maryland Mass Transit Administration (MTA) on the basis of sealed-bid competition in response to an IFB with stated system specifications. The other contract, let by the Dade County Transportation Administration in response to an RFP for the Miami Rapid Transit System, was awarded to the lowest bidder among competing negotiated proposals.

Competition for the Baltimore contract 1/

Design history.--The contract award by the Maryland MTA was based on competing sealed bids rather than negotiated proposal; UMTA's grant to MTA for the Baltimore system states that the former is the preferred method of procurement. 2/ Final specifications distributed after the advertised IFB to bid were the result of a lengthy preliminary process. MTA officials were well aware of the problems associated with AFC equipment already installed by Cubic in transit systems elsewhere in the United States and abroad. A determined effort was made by MTA to avoid such problems to the extent possible. Under the oversight of a Fare Collection Policy Committee, MTA management and engineers, in conjunction with independent consultants, conducted a series of studies that led to a set of draft specifications. Two major considerations influenced the design--the need to assure efficient, trouble-free fare collection for the zone fare system and the need to assure competition. In particular, MTA wanted the rail-to-bus-transfer problem associated with the

1/ The chronology and facts concerning the Baltimore award were developed by the Commission staff through meetings with officials of the Mass Transit Administration of the Maryland Department of Transportation and through official public documents provided for the record by William Tettsworth, assistant attorney general of the department.

2/ The Baltimore contract (sec. A) was 80 percent funded by an UMTA grant.

Washington Metro system solved. Reliability was of paramount concern. As draft specifications for equipment were developed they were circulated to prospective bidders for comments. MTA received written comments and requests for changes from five firms.

CWD, among others, responded to the solicitation for comments. Comments from all respondent firms were "carefully considered and many adopted in the final bid documents." 1/ According to the report of the Maryland Joint Legislative Committee on Metropolitan Mass Transit Oversight, CWD's most important request was that the equipment "be procured by RFP (Request for Proposal), not by IFB (Invitation for Bid)." 2/ The report states that "MTA could not and would not change this bidding requirement due to section 7-403(b) of the Transportation article" 3/ Moreover, the administrator, in his letter to cochairman Cox of the Oversight Committee, stated, "We did not, however, adopt recommendations by Cubic to change our standard General Provisions or to lower the reliability requirements of the contract." 4/

According to MTA officials, the issue of unique requirements incorporated in the specifications was never raised by CWD during preliminary discussions and meetings. Nor did CWD ever state that the specifications did not allow it to bid. MTA officials underscored to Commission staff their sensitivity to the State law requiring that procurement specifications do not give any advantage to a particular bidder. Some specifications were similar to those of existent CWD equipment, such as ticket-encoding and ticket vending machines. Other items, such as gate equipment, were to specifications similar to those of equipment known to have been manufactured by both CWD and CGA. Although the goal was a system incorporating equipment tailored to the specific needs of the BRRT system, MTA officials emphasized that the draft specifications were based partly on existent pieces of off-the-shelf equipment (e.g., the fare box and gate equipment) and partly on existent state-of-the-art equipment tailored by software to the BRRT system's needs (e.g., ticket vending and change-making machines).

The bid and award process.--After final revision of the draft specifications, the IFB was advertised in October 1980. A prebid meeting was held on November 21, 1980. As stated by the MTA administrator in his November 6, 1981, letter to cochairman Cox, "Consistent with State and Federal procurement policies, this procurement was established as a fixed price

1/ Letter from David A. Wagner, administrator, Mass Transit Administration, to the Honorable William A. Cox, Jr., Member of the Maryland Joint Legislative Committee on Metropolitan Mass Transit Oversight, Nov. 6, 1981.

2/ Joint Legislative Committee on Metropolitan Mass Transit Oversight, Report of the 1981 Interim to the Maryland General Assembly, p. 10.

3/ Ibid.

4/ Wagner letter to Cox, Nov. 6, 1981.

contract to be competitively bid and awarded to the lowest responsive and responsible bidder." Bids were opened on December 18, 1980, and were as follows:

CWD-----	\$7,998,785
Crouzet-----	9,790,401
Alta/CGA-----	9,876,692
Automatec-----	14,399,890

CWD's bid was low but was nonresponsive. Administrator Wagner in his letter to cochairman Cox provided an informative perspective:

The lowest price was that of Cubic Western. However, their submittal, labeled by Cubic itself as a proposal, was not a bid to the specifications and was clearly nonresponsive. For this reason, State and Federal regulations clearly prohibited an award to Cubic. However, since the Cubic price was substantially lower than that of the other bidders, an analysis was made to compare the Cubic proposal with the other bids. Exact comparison was not possible since Cubic did not fully fill out the bid form. However, we assumed that Cubic's proposal contemplated not providing certain equipment since several items, such as spare parts, dollar bill changers, and ticket stock were marked "not applicable" on their bid sheet. The result of this analysis was that the Cubic price, adjusted to account for items properly included by the other bidders, was slightly higher than the Crouzet and Alta/CGA bids. This analysis helped convince us that we in fact had received competitive bids. 1/

The Crouzet bid, the next lowest, also was declared nonresponsive. The procurement was to be awarded as a fixed-price contract. Crouzet quoted firm prices in French francs to be converted at the exchange rate on the day of the award with provisions for change if the exchange rate varied more than 5 percent. Such bids have in past cases been deemed not firm fixed prices. In effect MTA "could not determine their firm bid at the time of the bid opening." 2/

At this point Alta/CGA was the lowest responsive bidder. On January 20, 1981, MTA requested UMTA's concurrence in awarding the contract to other than the apparent low bidder, the competitive sealed bids of CWD and Crouzet,

1/ Wagner letter to Cox, Nov. 6, 1981, p. 2.

2/ Memorandum to the record in investigation No. 701-TA-200, Determination of Responsiveness of Bid from Crouzet, S.A., Dec. 30, 1980, p. 4.

having been determined to be nonresponsive. 1/ UMTA concurred on February 12, 1981. 2/ MTA officials have informed the Commission that had Alta/CGA not submitted a bid on the Baltimore contract, an award would probably have been made to Automatec (a Division of BG Checo International, Ltd.), the only other responsive bidder. 3/

Following the award of the contract, CWD "alleged improprieties in the award and administration of this contract by appeals to the MTA Administrator, the Secretary of Transportation, the Governor, and the Board of Public Works. All such appeals have been rejected." 4/ In response to CWD's allegations, aired at the hearing of the mass transit oversight committee, that substantial postaward changes permitting use of off-the-shelf equipment had been made in the contract, MTA submitted a memo to CWD stating, "This was not the case In summary, no CCRS (Contract Change Requests) have been approved, the contract is proceeding satisfactorily, and no substantial change, cost increases or delays in equipment deliveries are anticipated." 5/ In its briefing before the committee, Alta/CGA stated that "changes under consideration are not substantial . . . and they will not permit use of off-the-shelf design. 6/

Consultant's analysis of competing bids and the price proposal.--Prior to the contract award, consultant engineers to the MTA 7/ analyzed the three bids received and the price proposal submitted by CWD to determine (a) whether the submissions were responsive to the requirements of the bid documents and (b) whether the lowest responsive bid (Alta/CGA's) was reasonable in light of the fact that the Alta/CGA bid for section A (\$8,720,552) exceeded the engineer's estimate (\$6,689,350) by 30 percent and, therefore, was in excess of the budget.

The priced proposal offered by CWD and the bid submitted by Crouzet had been deemed nonresponsive. However, pricing information provided by CWD and by Crouzet was used to analyze the reasonableness of the Alta/CGA bid, and the

1/ Letter from Robert J. Murray, project manager, Rapid Transit Development Division, to Herman C. Shipner, acting regional administrator, Urban Mass Transit Administration, Philadelphia, Pa., Jan. 20, 1981.

2/ Letter from UMTA general engineer Devendra Soni to Robert J. Murray, Feb. 12, 1981.

3/ Letter to James McClure, supervisory investigator, U.S. International Trade Commission, from Nicholas J. Kiladis, director, Contract Administration Department, Maryland Mass Transit Administration.

4/ Wagner letter to Cox, Nov. 6, 1981, p. 3.

5/ Joint Legislative Committee on Metropolitan Mass Transit Oversight, op. cit., p. 11.

6/ Ibid, p. 13.

7/ Daniel, Mann, Johnson & Mendenhall/Kaiser Engineers is the consultant engineering firm to the Maryland MTA.

CWD price proposal was adjusted to include prices for those items listed by CWD as "Not Applicable." 1/ The adjusted CWD price proposal and the competing bids of Alta/CGA and Crouzet are presented below:

Price "Not Applicable" items - - - Section A	\$1,262,180
(003, 004, 010, 017, 030, 031, 032, 033 and 045)	
Engineering Overhead - 51.9%	655,071
Price "Not Applicable" items - - - Section B	92,955
(102, 112 and 115) (No overhead in Section B)	
Total Price "Not Applicable" items	<u>2,010,206</u>
CWD priced proposal	
Section A	6,787,349
Section B	1,211,436
Total adjusted price "Not Applicable" items	<u>2,010,206</u>
Total adjusted price	10,087,991
Alta/CGA bid	
Section A	8,720,552
Section B	<u>1,156,140</u>
Total price	9,876,692
Crouzet bid	
Section A	8,295,844
Section B	<u>1,494,557</u>
Total price	9,790,401

The data indicate that the implied price of the adjusted CWD proposal is "in close proximity, but in excess of those bid by Alta/CGA and Crouzet which compared favorably in terms of total cost and distribution among the various line items." 2/ The consultant's conclusion was that the lowest responsive bid was "reasonable and representative of the current cost of the system which has been specified." 3/ Further, their report concluded that the engineer's estimate and the resultant budget were unrealistically low and that the estimate and budget "must be adjusted to permit award" if the specified Fare Collection System is to be supplied. The report also stated that rebidding to reduced quantities or relaxed specifications might reduce bid prices, but achieving "these economies would likely result in the loss of the competitive environment in which the original bid prices were developed and will certainly result in a major schedule slip." 4/

1/ An average of the prices bid by Alta/CGA and Crouzet was used to determine prices for these items. This averaging method was also used to cover the engineering overhead load on those prices.

2/ Letter to Robert Murray, project manager (MTA, Baltimore, Maryland) from E. L. Tillman, project manager, general consultant, Daniel, Mann, Johnson & Mendenhall/Kaiser Engineers, Jan. 5, 1981.

3/ Ibid.

4/ Ibid.

Competition for the Dade County/Miami contract

In late 1980, the Dade County Transportation Administration (DCTA) held a series of separate reviews with industry firms on the subject of the AFC equipment for its regional rapid transit system. These reviews were conducted by the Kaiser Transit Group, the primary consultants of DCTA for their overall metro transit system. These reviews provided the technical foundation for the specifications needed for the bid competition. Subject matter included production capability, lead time, and the current level of technology. Each company identified its capability in terms of what products it had to offer or could produce. This first profile was designed to meet every need of the system operator, DCTA. It included all the ideal requirements tailored to DCTA's needs. The requirements were not targeted to off-the-shelf availabilities.

During the period September-December 1981, DCTA analyzed the inputs from the industry, wrote a set of guideline specifications, and on December 10, 1981, advertised for bids on its AFC system. The bid opening was set for March 24, 1982. It became apparent to DCTA from questions raised by "plan holders," i.e., bidders, that there was a great deal of ambiguity in the specifications. The bid opening was postponed, at DCTA's option, until April 7, 1982. Finally, in the interest of fairness to all parties, the IFB was canceled.

On May 3, 1982, with the concurrence of the Board of County Commissioners, DCTA issued an RFP for an AFC system. Dade County indicated its intent to use a negotiated procurement process. This process was to be carried out under the Urban Mass Transit Act procurement guidelines, section 4220.1. As a part of the RFP, DCTA gave a brief profile of performance specifications. As a reference to that profile, the December 1981 specifications were included, but only as a reference document in terms of four elements: (1) terms and conditions, (2) a set of technical provisions, (3) interface drawings with respect to existent transit systems, and (4) drawings and site conditions.

On June 30, 1982, DCTA received proposals from seven firms, four domestic and three foreign. During the week of July 12, DCTA officials met with each of the seven firms individually to allow explanations of the proposals and to permit questions by each of the parties and by DCTA. Some bidders were asked to supplement their proposals within a 2-week period.

After receiving supplemental materials, DCTA, on August 18, forwarded a set of revised technical specifications to all firms and requested them to amend their original proposals to show ability to meet the revised specifications. No request for prices was made at that time. The technical responses were received on September 7, 1982. DCTA evaluated the responses and determined that three firms--CWD, Alta, and Quonaar (Duncan Industries) 1/--exhibited the ability to meet the technical specifications.

1/ Submissions were received from Quonaar, CWD, Alta, Crouzet, and B.G. Checo. Vapor and Tomsed did not respond. Proposals from Crouzet and B.G. Checo were considered nonresponsive. See Memorandum to Chairman, Fare ^{A-21} Collection Selection and Negotiation Committtee, from Technical Advisory Staff, Sept. 15, 1982, subject: "Fare Collection System Review of Amended Proposals."

On September 18 these three firms were invited to submit a "best and final price." This was to consist of a total bid plus a breakout by line item and a "supporting price detail schedule," which was to reflect "actual associated cost." To prevent front-end loading often associated with payment schedules, DCTA related payment with associated cost in a four-phase payment schedule; with DCTA providing--

- (1) For paying a certain percentage of contract value as a "mobilization expense," i.e., a front-end cash flow.
- (2) For release of funds (partial payment) when first articles (equipment) were completed and inspected at the factory. This provided payment for a portion of engineering.
- (3) For release of funds at point of installation of equipment.
- (4) For a final release of funds upon completion of testing of installed equipment.

Best and final prices were received from CWD and Alta on October 12, 1982. Quonaar declined the invitation to submit a best and final price. After verifying the pricing for each bid, the committee confirmed the price of CWD, the "apparent low bidder." At that point DCTA issued a letter to CWD, inviting its representative to come to Dade County and "to confirm the contract documents and to conclude the negotiations." Subsequent to that, on October 20, CWD had to furnish the Minority Business Enterprise and Women's Business Enterprise certification as to the percentage goals established by DCTA.

A Memorandum of Understanding between DCTA and CWD, required by UMTA, was drawn up by DCTA and was reviewed by the county attorney for legal sufficiency. The Dade County Commission, acting on the recommendation by DCTA that the contract be given to the low bidder, awarded the contract to CWD on November 16, 1982.

The summary pricing schedules submitted by CWD and by Alta are presented in appendix E. Alta's total price for the two contracts was \$4,392,924, only \$108,924, or 2.5 percent, higher than CWD's price of \$4,284,000.

Price suppression

At the conference, CWD alleged that its award of the Miami contract was a direct result of price suppression caused by competition from Alta. 1/ On the basis of CWD's experience in the Baltimore, Hong Kong, and Caracas

1/ Transcript of the conference, pp. 29-32.

procurements, the firm expected sharp competition from Alta in the competition for the Miami AFC equipment contract. Therefore, CWD stated, it cut its prices and submitted a bid at a sharply reduced profit level.

To address the question of price suppression in the Miami competition, the Commission staff requested data from CWD and Alta/CGA on profit margins on recent contract bids. These data for CWD are as follows:

(In thousands of dollars)

	<u>Estimated cost</u>	<u>Profit</u>	<u>Price</u>	<u>Profit (Percent)</u>
April 1981:				
MARTA (CQ230A)	***	***	***	***
July 1981:				
WMATA (2Z007E)	***	***	***	***
November 1982:				
MDCTA (Y33IN/DCTA-3N)	***	***	***	***

The CWD profit margins for the Atlanta Metro contract (MARTA CQ230A) and the Washington Metro contract (WMATA 2Z007E) were * * * percent and * * * percent, respectively. Both were second-phase contracts. Alta was not a competing bidder. In contrast, CWD claims that its profit margin in the Miami bid was * * * percent.

Alta and CGA claims that their margins on a total cost basis amounted to * * * and * * * percent, respectively, for the Baltimore contract and * * * and * * * percent, respectively, in the Miami bid. 1/

As another indicator of the suppressed level of bids, CWD cited the fact that in the Miami competition, the level of Alta's and CWD's bids was about 30 percent below the engineer's estimate for the AFC system and about the same amount less than the published budget of \$6 million. DCTA officials emphasized that the reason for the sharply lower bids was the significant change in the specifications from an "ideal" complex system originally estimated to the standard system that finally evolved. For example, the initial system specifications called for 115 entrance gates; the revised number was 84. The initial invitation called for about 30 ticket vending machines; the final specifications called for none--Miami had decided to use a coin/pass system. The original budget was \$8.3 million, a figure that was subsequently revised downward as specifications changed to a less sophisticated system.

1/ Submissions by Alta concerning cost and profit data are presented in app. F.

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION
NOTICE OF INVESTIGATION

INTERNATIONAL TRADE COMMISSION

[Investigation No. 701-TA-200
(Preliminary)]

Automated Fare Collection Equipment and Parts Thereof From France

AGENCY: United States International Trade Commission.

ACTION: Institution of preliminary countervailing duty investigation and scheduling of a public conference to be held in connection with the investigation.

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of an investigation to determine whether there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from France of certain automated fare collection equipment and parts thereof provided for in item Nos. 676.15, 676.25, 676.30, 676.52, 678.40, and 678.50 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of France.

EFFECTIVE DATE: October 18, 1982.

FOR FURTHER INFORMATION CONTACT:

Mr. Daniel Leahy, Office of Investigations, U.S. International Trade Commission; telephone 202-523-1369.

SUPPLEMENTARY INFORMATION:**Background**

This investigation is being instituted in response to a petition filed October 12, 1982, on behalf of Cubic Western Data, Inc., San Diego, California. A copy of this petition is available for public inspection in the Office of the Secretary, U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. The Commission must make its determination in this investigation within 45 days after the date of the filing of the petition or by November 26, 1982 (19 CFR 207.17). Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission not later than seven (7) days after the publication of this notice in the Federal Register (19 CFR 201.11). Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the notice. This investigation will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR Part 207, 47 FR 6189,

February 10, 1982), particularly subpart B thereof).

Service of Documents

The Secretary will compile a service list from the entries of appearance filed in this investigation. Any party submitting documents in connection with the investigation shall, in addition to complying with § 201.8 of the Commission rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigation. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)).

In addition to the foregoing, each document filed with the Commission in the course of this investigation must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

Written Submission

Any person may submit to the Commission on or before November 4, 1982, a written statement of information pertinent to the subject matter of this investigation. A signed original and fourteen (14) copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 10:00 a.m., on November 2, 1982, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisory investigator for the investigation, Mr. James McClure, telephone 202/523-0439, not later than October 28, 1982, to arrange for their appearance. Parties in support of the imposition of countervailing duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, subparts A and B (19 CFR Part 207, as amended by 47 FR 6182, February 10, 1982, and 47 FR 33682, August 4, 1982) and Part 201, Subparts A through E (19 CFR Part 201, as amended by 47 FR 6182, February 10, 1982, 47 FR 13791, April 1, 1982, and 47 FR 33682, August 4, 1982). Further information concerning the conduct of the conference will be provided by Mr. McClure.

This notice is published pursuant to § 207.12 of the Commission's Rules of Practice and Procedure (19 CFR 207.12).

Issued: October 18, 1982.

Kenneth R. Mason,
Secretary.

[FR Doc. 82-25985 Filed 10-20-82; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 701-TA-200 (Preliminary)

CERTAIN AUTOMATED FARE COLLECTION EQUIPMENT AND
PARTS THEREOF FROM FRANCE

Those listed below are scheduled to appear as witnesses at the United States International Trade Commission conference to be held in connection with the subject investigation beginning at 10:00 a.m., e.s.t., Tuesday, November 2, 1982, in Room 117 of the USITC Building, 701 E Street, NW., Washington, D.C.

	<u>Alloted time</u>
	<u>(minutes)</u>
<u>In support of the imposition of</u>	60
<u>countervailing duties</u>	

Arent, Fox, Kintner, Plotkin and Kahn--Counsel
Washington, D.C.
on behalf of

Cubic Western Data, Inc.

Mr. Marilyn Hicks, Group Vice President
and General Manager,
Cubic Western Data, Inc.

Mr. George Nora, Program Manager,
Cubic Western Data, Inc.

Mr. Stanley Kirkendall, Washington
Representative and Senior Staff Engineer,
Cubic Western Data, Inc.

Mr. Gary Whaley, Director of Contracts,
Cubic Western Data, Inc.

Lewis Leibowitz)
Benjamin Flowe) --OF COUNSEL

<u>In opposition to the imposition of</u>	60
<u>countervailing duties</u>	

Patton, Boggs and Blow--Counsel
Washington, D.C.
on behalf of

Alta Technology, Inc.

Mr. Jim Pyle, President
Alta Technology, Inc.

Charles Verill) --OF COUNSEL
Frank Samolis)

In opposition to the imposition of
countervailing duties--Continued

60

Italo H. Ablondi, P.C.--Counsel
Washington, D.C.
on behalf of

Compagnie General d'Automatique

Italo H. Ablondi) --OF COUNSEL
David Foster)

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APPENDIX C

ILLUSTRATION OF AN INSTALLED
AFC SYSTEM



APPENDIX D

LIST OF AFC SUBCOMPONENTS PRODUCED BY CUBIC
AND PURCHASED FROM SUBCONTRACTORS

ITC HEARING

10/25/82

4. A. Components made by CWD

1. Bill Acceptor
2. Coin Acceptor
3. Ticket Transport
4. Drum Printer
5. DOT Matrix Printer
6. Thermal Printer
7. Ticket Roll Feed Cutter
8. Ticket Feeders
9. Bill Escrow Stacker
10. Secure Bill Stacker
11. Coin Vault
12. Coin Hoppers for dispensing change
13. Power Supplies
14. Environmental Control units
15. Turnstiles (For ICG made by CWD)
16. Single Board Computers
17. Audit Registers - electronic
18. Date Time control Board (MARTA)
19. Pneumatic Barrier (BART)
20. Electric Barrier (WMATA)
21. Wipe Reader
22. Optical Sensors
23. Ticket Stackers
24. Cabinetry for Gates
25. Cabinetry for Ticket Issuing Machines
26. Cabinetry for Addfares
27. Cabinetry for Ticket Office Machines
28. Displays, latent and illuminating
29. Secure Cash Drawers
30. Control Panels
31. Test Boxes
32. Non Volatile Memory Boards

4. B. Components made by Subcontractors

1. Coin Acceptors (NIR, MARS)
2. Alpha numeric Displays (burroughs)
3. CRT's (various)
4. Form Printers (Teletype)
5. Ticket Issuing Keyboards (TEC)
6. Power Supplies (Power Components)
7. Turnstiles (CTL)
8. Single Board Computers (Intel)
9. Audit Registers - Electromechanical
10. Wipe Reader (Magtex)
11. Thermal Print Heads (Gould)
12. Magnetic Heads (Northronics, Pierce Magnetics)
13. DOT Matrix Print Heads (DH Associates)
14. Cabinetry for Gates (CTL)
15. Electric Motors (GE/Bodine)
16. Various Castings (various)
18. Floppy Disk Drives (Intel)
19. Modems (Universal Data Systems)
20. Minicomputers (DEC, Intel, H.P.)
21. Communications Interface Boards (Intel)
22. RAM Boards (Intel)
23. Magnetic Card Readers
24. Bill Acceptors (NRI)

APPENDIX E

**SUMMARY PRICING SCHEDULES SUBMITTED TO THE DADE
COUNTY TRANSPORTATION ADMINISTRATION**

FAIR COLLECTION EQUIPMENT
CONTRACT DCA-38
DOWNTOWN COMPONENT OF METRO RAIL

CUBIC WESTERN DATA

1. Mobilization (Maximum of 3% of total Offer)	Lot	\$ 33,366 *
2. Approval of First Article Inspections (Maximum of 10% of Offer)	Lot	\$ 111,222 *
Gate Equipment (4.20)	(8%)	
Central Control Panel (6.00)	(2%)	
3. Delivery of Equipment to MDC (Provide Detailed Price Schedule per enclosure)		\$ 859,176
4. Installation of Equipment (Provide Detailed Price Schedule per enclosure)		\$ 76,030
5. Test and Start-up of Equipment (Provide Detailed Price Schedule per enclosure)		\$ 10,600
6. Encoding Equipment		N/A
7. Initial Provisioning and Spare Parts Provide Detailed Schedule per enclosed Exhibit 2		\$ 117,255
8. Manuals	Lot/\$8,280	\$ 8,280
9. Training (per classroom hour)	264/Hrs. /\$ 85.50	\$ 22,572
10. Special Test Equipment	Lot/\$ 3,312	\$ 3,312
11. Interim Maintenance	Lot/\$15,000	\$ 15,000
12. Furnish and install and interim maintain. Total Price		\$ 1,112,225

* Items 1 and 2 are for payment purposes only and these total amounts are included in item 3. The total price is as shown in item 12 which is the sum of items 3 through 11 inclusive. It is anticipated that the amounts shown in items 1 and 2 will be liquidated against item 3 when invoiced.

CUBIC WESTERN DATA

12. Total Price Furnish, Install and Interim Maintain (From BAFO-7)	\$ <u>1,112,225</u>
12A. Transferred Price Contract Y331N	\$ <u>3,171,775</u>
12B. Discount for Award of Both Contracts	\$ <u>()</u>
12C. Total Price, if awarded Concurrently	\$ <u><u>4,284,000</u></u>

SUMMARY PRICING SCHEDULE
CONTRACT DCTA-3N
FARE COLLECTION EQUIPMENT
DOWNTOWN COMPONENT OF METRORAIL

Mobilization (Maximum of 3% of total Offer)	Lot	\$ 56,644
2. Approval of First Article Inspections (Maximum of 10% of Offer)	Lot	\$ 198,253
Gate Equipment (4.20)	(8%)	
Central Control Panel (6.00)	(2%)	
3. Delivery of Equipment to MDC (Provide Detailed Price Schedule per enclosure)		\$ 1,315,763
4. Installation of Equipment (Provide Detailed Price Schedule per enclosure)		\$ 65,361
5. Test and Start-up of Equipment (Provide Detailed Price Schedule per enclosure)		\$ 22,219
6. Encoding Equipment		N/A
7. Initial Provisioning and Spare Parts Provide Detailed Schedule per enclosed Exhibit 2		\$ 122,804
8. Manuals	Lot/\$ 93,615	\$ 93,615
9. Training (per classroom hour)	264/Hrs. /\$ 280	\$ 73,920
10. Special Test Equipment	Lot/\$ 55,558	\$ 55,558
11. Interim Maintenance	Lot/\$ 23,738	\$ 23,738
12. Furnish and install and interim maintain. Total Price		\$ 2,027,875

12. Total Price Furnish, Install and Interim Maintain (From BAFO-7)	\$ 2,027,875
12A. Transferred Price Contract Y331N	\$ 3,469,246
12B. Discount for Award of Both Contracts	\$ (1,104,197)
12C. Total Price, if awarded Concurrently	\$ 4,392,924

APPENDIX F

SUBMISSION BY ALTA CONCERNING COSTS
AND PROFIT ASSOCIATED WITH
BALTIMORE AND MIAMI CONTRACT BIDS

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