

CERTAIN RADIO PAGING AND ALERTING RECEIVING DEVICES FROM JAPAN

**Determination of the Commission
in Investigation No. 731-TA-102 (Final)
Under the Tariff Act of 1930,
Together With the Information
Obtained in the Investigation**

USITC PUBLICATION 1410

AUGUST 1983

United States International Trade Commission / Washington, D.C. 20436

C O N T E N T S

	<u>Page</u>
Determination-----	1
Views of Chairman Alfred E. Eckes and Commissioner Veronica A. Haggart-----	3
Views of Commissioner Paula Stern-----	20
Information obtained in the investigation:	
Introduction-----	A-1
Background-----	A-1
Nature and extent of alleged sales at less than fair value-----	A-2
The product:	
Description and uses-----	A-3
Tone-only pagers-----	A-4
Display pagers-----	A-4
Production process-----	A-4
Manufacturing processes of Motorola, Matsushita, and NEC America--	A-6
Motorola's Metrx and Metro-Pageboy models-----	A-6
Motorola's other pager models-----	A-6
Matsushita Electric of Puerto Rico's (MEP) high-capacity pager operations-----	A-8
NEC America's high-capacity pager operations-----	A-8
U.S. tariff treatment-----	A-9
U.S. producers-----	A-10
U.S. importers and foreign producers-----	A-11
U.S. market-----	A-13
Consideration of injury or likelihood thereof:	
U.S. production, capacity, and capacity utilization-----	A-13
Domestic shipments-----	A-17
Export shipments-----	A-21
U.S. inventories-----	A-22
U.S. imports:	
High-capacity pagers-----	A-22
High-capacity pager subassemblies-----	A-25
Employment-----	A-28
Metrx and Metro-Pageboy pagers-----	A-30
NTT pagers-----	A-32
Financial experience of U.S. producers-----	A-34
High-capacity pagers-----	A-34
Metrx pager-----	A-36
BPR 2000 tone-only-----	A-39
BPR 2000 tone and display-----	A-40
Establishment operations-----	A-43
Motorola's research and development expenditures-----	A-44
Consideration of the causal relationship between alleged LTFV imports and the alleged injury:	
Market penetration of alleged LTFV imports-----	A-45
Threat of injury-----	A-48
Prices-----	A-49
Questionnaire price data-----	A-49
Metrxlike pagers sold to RCC's-----	A-51
Metrxlike pagers sold to telephone company customers-----	A-54

CONTENTS

Information obtained in the investigation--Continued	<u>Page</u>
Consideration of the causal relationship between alleged LTFV imports and the alleged injury:--Continued	
Prices--Continued	
Metrxlike pagers sold to non-carrier customers-----	A-56
Metro-Pageboy-----	A-57
Display pagers sold to RCC's-----	A-57
Display pagers sold to telephone company customers-----	A-60
Appreciation of the U.S. dollar-----	A-60
Supplier Competition:	
Questionnaire responses-----	A-61
Purchasers' views on supplier competition-----	A-63
Lost sales-----	A-64
Appendix A. Department of Commerce's Preliminary and final determinations of sales at less than fair value-----	A-65
Appendix B. Notice of Commission's institution of final antidumping investigation-----	A-77
Appendix C. Witnesses at the Commission's hearing-----	A-81
Appendix D. Basic radio paging systems-----	A-84
Appendix E. Trend diagrams-----	A-87
Appendix F. Customs ruling and rescission thereof-----	A-96
Appendix G. Lost sales section from 731-TA-102 (Preliminary)-----	A-103

Tables

1. Certain radio paging and alerting receiving devices: Pre-MTN rates of duty and staged rates-of-duty modifications, 1980-87-----	A-10
2. High capacity pagers: Apparent U.S. consumption by types, 1979-82, January-June 1982, and January-June 1983-----	A-13
3. High capacity pagers: U.S. production, capacity, and capacity utilization, 1979-82, January-March 1982, and January-March 1983---	A-14
4. High-capacity pagers: U.S. production, capacity and capacity utilization by model, 1979-1982, January-March 1982, and January-March 1983-----	A-16
5. High capacity pagers: U.S. shipments, by firms, 1979-1982, January-June 1982 and January-June 1983-----	A-18
6. High-capacity pagers: Motorola's U.S. shipments, by model, 1979-1982, January-March 1982, and January-March 1983-----	A-19
7. High capacity pagers: U.S. imports for consumption by types, 1979-1982, January-March 1982, and January-March 1983-----	A-23
8. High-capacity pagers: U.S. imports for consumption from Japan, by firms and by types, 1979-1982, January-March 1982, and January-March 1983-----	A-24

CONTENTS

9. High-capacity pagers: Total component value of Motorola's Metrx and Metro-Pageboy models, by source (foreign and domestic), and by component type, 1979-82, January-March 1982, and January-March 1983-----	Page A-27
10. Average number of U.S. production and related workers producing high-capacity radio pagers, hours worked and wages paid, 1979-82, January-March 1982, and January-March 1983-----	A-29
11. U.S. labor productivity, hourly compensation, and unit labor costs in the production of high-capacity radio pagers, 1979-82, January-March 1982, and January-March 1983-----	A-29
12. Average number of U.S. production and related workers producing the Metrx and Metro-Pageboy pagers, wages paid, labor productivity, and unit labor costs, 1979-82, January-March 1982, and January-March 1983-----	A-30
13. Production and related workers and wage rates for Motorola's foreign assembly of Metrx and Metro-Pageboy pagers, 1979-82, January-March 1982, and January-March 1983-----	A-31
14. High-capacity pagers: Employment and salary of persons producing Motorola's Metrx and Metro-Pageboy pagers, in the United States and abroad, 1979-82, January-March 1982 and January-March 1983-----	A-32
15. Average number of U.S. production and related workers producing the NTT pager, wages paid, labor productivity, and unit labor costs, 1981, 1982, January-March 1982 and January-March 1983-----	A-33
16. Profit-and-loss experience of Motorola, Inc., on its high-capacity pager operations, 1979-82, January-March 1982, and January-March 1983-----	A-35
17. Profit-and-loss experience of Motorola, Inc., on its Metrx pager operations 1979-82, January-March 1982, and January-March 1983-----	A-37
18. Major items contained in general, selling, and administrative expenses of Motorola, Inc. on its Metrx pager operations, 1979-82, January-March 1982 and January-March 1983-----	A-38
19. Profit-and-loss experience of Motorola Inc. on its Metrx pagers on a unit basis, 1979-82, and January-March 1982, and January-March 1982-----	A-39
20. Profit-and-loss experience by Motorola Inc., by model, 1982 and January-March 1983-----	A-41
21. Major items contained in general, selling, and administrative expenses of Motorola Inc. by model, 1982 and January-March 1983-----	A-42
22. Profit-and-loss experience of Motorola, Inc., on its establishment operations within which high-capacity pagers are produced, 1979-82, January-March 1982, and January-march 1983-----	A-43
23. Motorola Research & Development expenditures, by type, 1979-82, January-March 1982, and January-March 1983-----	A-44
24. High-capacity pagers: U.S. producers' domestic shipments, imports for consumption from Japan, by firms, and total imports, and apparent consumption, 1979-1982, January-March 1982, and January-March 1983-----	A-46
25. High-capacity pagers: Ratio of U.S. imports from Japan and all sources to consumption 1979-82, January-June 1982, and January-June 1983-----	A-47
26. High-and-low capacity pagers: NEC Corp's production, capacity and capacity utilization for production facilities in Japan, fiscal years 1980-1982.-----	A-49

CONTENTS

27. Tone-only, high-capacity pagers (Metrx model) produced in the United States and imported from Japan: Weighted average net selling prices, quantities, and average margins of underselling for pagers sold to radio common carriers, by principal suppliers, by quarters, January 1980-March 1983-----	<u>Page</u> A- 52
28. Tone-only, high-capacity pagers (Metrx model) produced in the United States and imported from Japan: Weighted average net selling prices, quantities, and average margins of underselling for pagers sold to telephone company and non-carrier customers, by principal suppliers, by quarters, January 1980-March 1983-----	A-55
29. Display pagers (BPR 2000 model) produced in the United States and imported from Japan: Weighted average net selling prices, quantities, and average margins of underselling for pagers sold to radio common carriers, by principal suppliers, by quarters, January 1981- March 1983-----	A-58
30. Index of the real exchange-rate between the Japanese yen and the U.S. dollar, by quarters, January 1981-March 1983-----	A-61

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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-102 (Final)

CERTAIN RADIO PAGING AND ALERTING
RECEIVING DEVICES FROM JAPAN

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)(1)), that an industry in the United States is materially injured by reason of imports of high-capacity tone-only pagers which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

On the basis of the record developed in the subject investigation, the Commission determines, pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)(1)), that an industry in the United States is not materially injured or threatened with material injury by reason of imports of high-capacity tone and display pagers which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective February 1, 1983, following a preliminary determination by the Department of Commerce that imports of high-capacity pagers from Japan are being sold in the United States at LTFV.

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

2/ Commissioner Stern determines that an industry in the United States is materially injured by reason of imports of high-capacity pagers from Japan which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on February 24,, 1983 (48 F.R. 7827). The hearing was held in Washington, D.C., on June 21, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRMAN ALFRED ECKES AND COMMISSIONER VERONICA A. HAGGART

We determine that an industry in the United States is materially injured by reason of imports of high capacity tone-only pagers from Japan, which are being sold at less than fair value. In addition, we determine that an industry in the United States is not materially injured or threatened with material injury by reason of imports of high capacity tone and display (display) pagers from Japan, which are being sold at less than fair value (LTFV). ^{1/} In making these determinations, we have focused primarily on the conditions of trade, competition, and development in the two industries that we find to exist in this investigation. ^{2/}

Domestic industries

The statute defines the term "industry" as "the domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the domestic production of that product." ^{3/} "Like product", in turn, is defined as a product that is like or, in the absence of like, most similar in characteristics and uses with the article subject to investigation." ^{4/} In the context of this investigation we must first consider the "like product" issue and next determine whether specific products manufactured by the parties in this investigation are "produced in the United States."

^{1/} Material retardation is not at issue in this investigation since there is domestic production of both tone-only and tone and display pagers.

^{2/} The record contains substantial amounts of business confidential information. Thus, much of our discussion must be in generalized terms.

^{3/} 19 U.S.C. § 1677(4)(A).

^{4/} 19 U.S.C. § 1677(10).

The Commission's decision regarding the appropriate like product in an investigation is a factual determination which must be made within the context of the statutory definition. The Commission applies the statutory standard of "like or most similar in characteristics and uses" on a case-by-case basis and may draw a distinction among products when sufficient differences in characteristics and uses are present. ^{5/}

The imported article subject to this investigation is high capacity pagers from Japan. ^{6/} High capacity pagers (pagers) are those pagers designed for use in a paging system which can support 3,000 or more pagers on a single frequency channel. ^{7/} These pagers are produced in a range of tone-only and display models. ^{8/}

Two companies, NEC Corporation of Japan (NEC) and Matsushita Communication Industrial Company, Ltd. (Matsushita), accounted for virtually all exports of pagers from Japan during the period of this investigation. ^{9/} NEC entered the U.S. high capacity pager market in 1976 and has marketed tone-only pagers in the United States since that time. In 1981, NEC was the first manufacturer to market display pagers in the United

^{5/} See Hot Rolled Stainless Steel Bar, Cold Formed Bar and Stainless Wire Rod From Spain, Inv. Nos. 701-TA-176-178, (Final), USITC Pub. No. 1333 (1983).

^{6/} See the Department of Commerce Notice, 47 Fed. Reg. 4607 (1982).

^{7/} Report at A-1 n.l. Thus, the term "high capacity" refers primarily to a characteristic of the paging system rather than the pager. Pagers used on a high capacity paging system must respond to a multiple tone signal. Id.

^{8/} See id. at A-2-4 for a general discussion of the various models of high capacity pagers.

^{9/} Id. at A-2. Other Japanese companies produce high capacity pagers and have marketed a limited number of pagers in the United States. See id. at A-11-12.

States. ^{10/} NEC America Inc., a wholly-owned subsidiary of NEC, is the largest U.S. importer of tone-only and display pagers. ^{11/} Currently, NEC America Inc. finishes the imported pagers to customers' specifications in a plant in Hawthorne, California. ^{12/}

The other major Japanese importer, Matsushita, entered the U.S. high capacity pager market in 1981 by soliciting orders for both tone-only and display pagers. Throughout 1982 Matsushita delivered a substantial number of tone-only pagers, and in the fourth quarter of 1982, began delivering display pagers. All of Matsushita's pager parts are manufactured by a subcontractor in Japan. ^{13/} As of this year, these parts have been assembled and the pagers customized, tested and packaged at a Puerto Rican subsidiary of Matsushita, Matsushita Electric Corp. of Puerto Rico (MEP). ^{14/} Currently, Panasonic Industrial Corp., another Matsushita subsidiary, markets these pagers in the United States.

Motorola, which manufactures a full line of tone-only and display pagers, ^{15/} is the largest domestic producer of high capacity pagers and is

^{10/} Commission transcript (TR) at 295; Report at A-11.

^{11/} See id.

^{12/} Id. This involves unpacking the pagers, inserting new crystals in some of the pagers, inserting and programming the code plug, testing, customizing cases, and packaging the pagers. See id. at A-8 for a more detailed description of NEC's U.S. production process.

^{13/} Id. at A-11.

^{14/} See id. at A-8 for a description of MEP's activities in Puerto Rico.

^{15/} Motorola markets six pager models in the United States: the Metrx tone-only, Metro-Pageboy tone-only, BPR 2000 tone-only, Sensor tone-only, BPR 2000 display, and Optrx display pagers. Report at A-6-8.

also the largest importer of pager subassemblies. ^{16/} Motorola manufactures its BPR 2000 tone-only, BPR 2000 display, Sensar tone-only, and Optrx display pagers in Florida. ^{17/} Furthermore, Motorola assembles its Metrx and Metro-Pageboy tone-only pagers at plants in Malaysia and Korea from components sourced in the United States and abroad. ^{18/}

Imported and domestically produced pagers are manufactured in a variety of models. ^{19/} The threshold issue in this investigation is whether all high capacity pagers should be considered "like products." ^{20/} A significant difference between pager models is the availability of a liquid crystal display which provides a combination of tone alert and a numerical readout on the display. ^{21/} Based upon a careful analysis of the characteristics and uses of tone-only and display pagers, we conclude that there are distinct differences in both the characteristics and uses of these respective pagers. The differences between these two types of pagers diminish the degree of substitutability and competition between tone-only and display

^{16/} See discussion of Motorola's import practices and domestic production *infra* at 7-8.

^{17/} See Report at A-6; Motorola's prehearing brief at 11.

^{18/} These two pager models constitute the substantial majority of Motorola's domestic sales of tone-only pagers. Report at A-6.

^{19/} TR at 54-64.

^{20/} The U.S. Court of International Trade has recognized that the concept of like product is "flexible". *Babcock & Wilcox Co., Inc. v. United States*, 521 F. Supp. 479, 484-85 (C.I.T. 1982).

^{21/} Currently, Japanese display pagers have a ten digit numeric display with the NEC display pager being able to show one of four letters A-D.

Memorandum to file regarding field trip to NEC California plant, dated April 29, 1983. In addition to numeric display pagers, Motorola produces a display pager with alphanumeric capabilities. TR at 63.

paggers in the subscriber market. ^{22/} Therefore, we conclude that tone-only and display paggers are not like products. ^{23/}

Although tone-only and display paggers are similar in terms of their components and manufacturing processes, display paggers include additional components and require more processing than tone-only paggers. In addition, a display pager has superior message capabilities as compared with tone-only paggers. A display pager provides the subscriber with a visible message which may eliminate the need for telephonic contact to determine the content of the paged message. ^{24/} Further, the most advanced display paggers may incorporate a printout device or may be used in conjunction with a

^{22/} Radio Common Carriers (RCC) purchase the great majority of high capacity paggers. RCCs then rent these paggers and provide paging service to individuals. These individuals are referred to as paging subscribers. See Report at A-84-85.

^{23/} Within the tone-only pager product line and within the display pager product line a range of models which differ in technology, options, and prices is available. For example, some paggers in both product lines have a vibrator or flashing light silent alert function available as an option. We conclude that these differences among the various tone-only pager models reflect minor variations which are insufficient to warrant a separate like product analysis within this product line. Based on the current level of development in display pager models, we reach a similar conclusion as to this product line. The legislative history to the Trade Agreements Act of 1979 states that:

The requirement that a product be "like" the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not "like" each other, nor should the definition of "like product" be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation. S. Rep. No. 249, 96th Cong., 1st Sess. 90-91.

^{24/} A visible display also eliminates confusion which may occur with a multitone tone-only pager. With the latter type pager, the subscriber could easily confuse the varying tone signals and interpret the page incorrectly. Moreover, the subscriber would be unable to replay the signal because of the limited memory capabilities of the tone-only pager.

computer. ^{25/} Neither of these capabilities is present with a tone-only pager.

Display pagers also have memory capabilities which are superior to those of the tone-only pager, both in terms of storage capacity and the number of times a message can be recalled. Tone-only pagers can store a single "beep" message and can repeat it only once after storage. Display pagers have multiple character and message capabilities and can replay a message repeatedly after storage in the memory. ^{26/} Thus, tone-only pagers are primarily used as alerting devices, whereas display pagers also perform an informational function.

In addition to these differing characteristics and uses, the pricing structure of both the RCC and subscriber markets indicates that tone-only and display pagers compete only to a limited extent. ^{27/} There are substantial price differences between these two products. RCCs generally pay a higher unit price for display pagers as compared with tone-only pagers. ^{28/} In addition, the subscriber pays a much higher price for the display pager and the paging service on a display pager. Because RCCs and subscribers perceive

^{25/} Memorandum to file from investigator William Schechter dated June 17, 1983.

^{26/} TR at 60-61; 280, 285.

^{27/} NEC estimated that approximately 20 percent of display pager customers switched from using tone-only pagers to display pagers once display pagers became available on the market. TR at 287. See NEC prehearing brief at 18.

^{28/} RCCs pay a similarly high price for Motorola's newest model tone-only pager, the Sensor. TR at 63. This model is uniquely sized and shaped, resembling a pen. Thus, the product's novelty and size may account for the premium price charged for this pager.

a substantial difference between the two products, they are willing to pay a premium for display pagers. Thus, the pricing structure in this market indicates that both RCCs and their subscribers recognize that tone-only and display pagers are distinct products with different characteristics which are used to satisfy different needs.

In addition to the foregoing, the domestic industry has been able to provide the Commission with separate data on tone-only and display pagers in terms of production and profitability. This data is maintained as a matter of course by the domestic producer. The fact that separate data on the producer's profits and production are available allows the Commission to make separate assessments of the effect of imports on the production of distinct products. ^{29/} For the foregoing reasons, we conclude that tone-only and display pagers are distinct like products within the meaning of the statute.

Having resolved the "like product" issue, we next address the scope of the domestic industry. In the context of this investigation, the Commission must determine whether Motorola's production of Metrx and Metro-Pageboy model tone-only pagers should be considered part of the domestic industry in light of the fact that these two models are assembled in Malaysia or Korea and incorporate components sourced in the United States and abroad. ^{30/}

^{29/} See 19 U.S.C. § 1677(4)(D).

^{30/} As indicated at page 3 supra, Motorola's BPR 2000 and Sensar tone-only and BPR display pagers are produced in the United States. Thus, there is a domestic industry producing both tone-only and display pagers. The following discussion, however, relates to whether the Commission should consider the effects of imports on Motorola's Metrx and Metro-Pageboy model pagers in making its material injury determination.

The Commission has not previously addressed the issue of what activities or specific attributes qualify a company as a domestic producer of a like product for the purposes of a final antidumping investigation. ^{31/} All production related activity need not occur in the United States for a firm to qualify as a domestic producer of a like product. Exclusion of firms from the domestic industry that import components or undertake some production related activities abroad would preclude relief to firms having sufficient production related activities in United States. Our factual determination as to whether Motorola's activities with respect to its Metrx and Metro-Pageboy models are sufficient to include these particular models as part of domestic production is based on an analysis of the overall nature of Motorola's production related activities in the United States with respect to these two pager models. ^{32/}

Although Motorola's most obvious production related activity, the assembly and soldering of the circuit boards, occurs in Malaysia or Korea,

^{31/} Commissioner Haggart notes that the Commission has addressed the domestic industry issue in the context of "escape clause" and unfair trade practices investigations conducted pursuant to sections 201 and 337 of the Trade Act of 1974. See Heavyweight Motorcycles, and Engines and Power Train Subassemblies Therefor, Inv. No. TA-201-47, USITC Pub. No. 1342 (1983); Certain Cube Puzzles, Inv. No. 337-TA-112, USITC Pub. No. 1334 (1983); Certain Miniature Battery-Operated All Terrain, Wheeled Vehicles, Inv. No. 337-TA-122, USITC Pub. No. 1300 (1982). Under each of these statutes, the Commission has examined the domestic industry issue in terms of production related activity occurring in the United States. See Certain Cube Puzzles at 27-30; Certain Miniature Wheeled Vehicles at 6 n.8, 30. Thus, prior analysis may provide some guidance in this investigation.

^{32/} It is important to consider the nature and extent of domestic production related activity in the context of the specific industry involved. A determination as to whether certain producers or products are part of the domestic industry is a factual determination which should be made on a case-by-case basis.

significant production related activity occurs in the United States both before and after foreign assembly. These activities involve considerable technical expertise and capital investment. The value added to Motorola's Metrx and Metro-Pagebody pagers in the United States constitutes a significant percentage of their component value and direct labor costs. ^{33/} Motorola has two facilities in Florida where the company employs a substantial number of workers in research and development and production activities specifically related to the Metrx and Metro-Pageboy pagers. ^{34/} We have concluded that the level of Motorola's production related activity which takes place in the United States with respect to the Metrx and Metro-Pageboy models is sufficient to include these two models as part of domestic production. ^{35/}

^{33/} Matsushita provided the Commission with information regarding the value added in its Puerto Rican operations. Matsushita's operations involve, in part, assembly and soldering of foreign sourced parts. These activities, which involve little technical skill, contribute only a minor percentage of the total value of a pager. See Report at A-6.

^{34/} Id. at A-26. We have considered costs and activities directly leading to production of the like product, such as those portions of research and development specifically attributable to this production, and product design and engineering in determining the amount of value added to the product in the United States. However, we have excluded sales and product support activities from this evaluation because they are not directly related to production and do not distinguish a domestic producer from an importer. We have included direct labor in our evaluation because domestic employment is an important consideration in antidumping investigations. See 19 U.S.C. § 1677 (C)(iii)(III).

^{35/} See Report at A-30. NEC has asserted that if Motorola's activities constitute domestic production, its activities undertaken in the United States qualify it as a domestic producer. Based on the same analysis applied to Motorola, we find that important distinctions exist between Motorola's domestic operations and NEC and Matsushita's operations in the United States. Both Japanese firms import all of the parts used in their pagers and employ far fewer production related personnel in the

(Footnote continued)

In summary, we conclude that tone-only and display pagers are two distinct like products. For the purposes of this investigation, we also conclude that the domestic tone-only pager industry consists of Motorola's domestic tone-only production, including production of its Metrx and Metro-Pageboy model pagers. ^{36/} Furthermore, we conclude that the domestic display pager industry consists of Motorola's display pager production.

Material Injury

We have analyzed the condition of both the domestic tone-only pager industry and display pager industry in the context of important industry attributes which affect the viability of these two domestic industries. ^{37/}

^{35/} (Footnote continued)

United States. See id. at A-8. Furthermore, NEC and Matsushita make their product design and production decisions in Japan. Except for NEC's patent license from Motorola, all of the research and development for high capacity pagers for both NEC and Matsushita is done in Japan, whereas Motorola's high capacity pager R&D facilities and employees are located in the United States.

^{36/} Harris Communications accounts for a very small percentage of domestic tone-only pager production. That firm has not participated in this investigation. Report at A-11.

^{37/} These considerations supplement the traditional criteria used to assess the effect of LTFV imports and are consistent with the requirement that the Commission "evaluate all relevant economic factors which have a bearing on the state of the industry." 19 U.S.C. § 1677(c)(iii). The legislative history pertaining to this provision states that:

In determining whether an industry is materially injured, ..., the ITC will consider, to the extent permitted by information submitted to it in a timely manner, the factors set forth in section 771(C) and (D) together with any other factors it deems relevant. The significance of the various factors affecting an industry will depend upon the facts of each particular case.... It is expected that in its investigation the Commission will continue to focus on the conditions of trade, competition, and development regarding the industry concerned. S. Rep. No. 249, 96th Cong., 1st Sess. 88 (1979).

Both of these industries are expanding rapidly in response to increasing demand for paging services. The RCC market is experiencing a significant growth in the number of commercial and individual subscribers. This growth is continuing, and the Federal Communications Commission's decision to provide additional frequency channels for radio paging use will allow further expansion in the future. ^{38/} Producers have developed new products and increased capacity and shipments in response to these growing markets.

Recent development of new models of tone-only and display pagers reflects the rapidly evolving nature of these two pager markets. Research and development, which results in improvement of older products and the development of new types of pagers, is essential in this field. ^{39/} The ratio of research and development (R&D) expenditures to sales and the number of new products in this area demonstrate the need for continuing profitability to fund future R&D. ^{40/} The domestic industry cannot sustain losses and remain viable because without new and improved products a manufacturer is eventually eliminated from the market.

The market for pagers is highly concentrated with relatively few RCCs accounting for the vast majority of pager purchases. ^{41/} Recently, these RCCs have placed large annual orders with pager manufacturers. Thus, loss of

^{37/} See TR at 83-84.

^{38/} Report at A-13.

^{39/} Research and development represents a significant investment in this industry and profits are necessary to continue this activity. Id. at A-44-45. See also TR at 173.

^{40/} Id. at A-28-29; TR at 19-23.

^{41/} TR at 26; Report at A-61-63; Motorola Posthearing submission at app F.

a single sale could severely affect a producer, leaving a firm with substantial idle capacity. Moreover, price reductions to a large purchaser substantially affects profitability which, in turn, could have a significant impact on a company's ability to keep abreast with product development. ^{42/} All of these factors are relevant to the Commission's determination of material injury by reason of LTFV imports from Japan.

The high capacity tone-only pager industry

The condition of the domestic tone-only pager industry has deteriorated during the period of this investigation. Although some indicators of the condition of this industry appear positive and reflect the effects of an expanding market, underselling and price depression and suppression caused by LTFV imports from Japan overshadow these positive factors.

Domestic production, shipments, and capacity increased rapidly from 1979 through 1982. ^{43/} In the first half of 1983, however, domestic shipments declined substantially from the levels reached in the corresponding period of 1982. ^{44/} Although shipments increased in 1982, profits declined dramatically. This resulted in Motorola experiencing a loss on its sales of tone-only pagers in 1982 and the first half of 1983. ^{45/} This loss resulted

^{42/} Report at A-37-38.

^{43/} Id. at A-13-15, A-17-18. Capacity utilization declined throughout the period of this investigation, however, this decline coincided with a substantial expansion in production capacity. Id. at A-24-25 Table 4.

^{44/} Id. A-18-20.

^{45/} IR at 32; Report at A-36-37, A-41.

from a sharp decrease in the average selling price of tone-only pagers which began in late 1981. ^{46/}

The decline in prices and profitability are the primary indicators of injury to this industry. Examination of the price competition in the tone-only market demonstrates a causal nexus between LTFV imports from Japan and the injury to this industry.

Imports of high capacity tone-only pagers increased steadily from 1980 through 1982. ^{47/} Prices on sales to RCCs in the U.S. market remained virtually unchanged throughout 1980 and the first three quarters of 1981. ^{48/} The imported pagers consistently undersold the domestic tone-only pagers during this period. ^{49/} Significantly, in the fourth quarter of 1981 Matsushita entered the U.S. tone-only pager market and booked orders at prices substantially below Motorola's prices. ^{50/} In response to Matsushita's activities, Motorola reduced its prices on tone-only pagers to retain a large customer in October 1981. ^{51/} Consequently, weighted average selling prices of domestically produced tone-only pagers plummeted during the fourth quarter of 1981. ^{52/} Matsushita continued to solicit orders at low prices, and in

^{46/} Id. at 18, 20, A-37-38.

^{47/} Imports of tone-only pagers from Japan have decreased in the first half of 1983 as a result of Matsushita's shift of its assembly operation to Puerto Rico in 1983 and the Department of Commerce's (Commerce) determinations in this investigation. TR at 254; Report at A-31-32; Matsushita posthearing submission at 2 n.1.

^{48/} Id. at A-52-53 Table 27.

^{49/} Id. at A-52-53 Table 27.

^{50/} Id. at A-61.

^{51/} Id. at A-62; TR at 26-28.

^{52/} Id. at A-52.

early 1982 Motorola lowered its tone-only prices on both its Metrx and BPR tone-only pager models. ^{53/} Despite Motorola's adjustment of prices, there were significant margins of underselling by the imported product during the last half of 1982. ^{54/} In November 1982, Motorola decreased the price of its BPR 2000 tone-only pager and slightly increased the price of its Metrx pager. ^{55/} As a result of LTFV imports from Japan, the average unit sales price for Metrx pager was approximately \$106.00 in 1982 compared with \$149.00 in 1981. ^{56/} Industry sources stated that Matsushita's low prices led to Motorola's price decreases in 1981 and 1982. ^{57/} Furthermore, Matsushita's low prices were a factor in three lost sales, which involved a substantial quantity of pagers, occurring during the fourth quarter of 1981 and in 1982. ^{58/}

The drastic decline in average selling prices for tone-only pagers resulted in Motorola incurring significant losses in 1982, despite declines in manufacturing costs and general selling and administrative expenses. ^{59/} The available data supports the conclusion that sales of LTFV imports from Japan prompted Motorola to reduce its prices and thereafter prevented sales at sufficiently high prices to maintain profitability.

^{53/} Id.

^{54/} Id. at A-53. Price competition continued and during 1982 NEC decreased its prices to retain customers.

^{55/} Id. at A-62-63.

^{56/} TR at 28; Report at A-19.

^{57/} Report at A-63-64.

^{58/} Id. at app. F, A-84.

^{59/} Id. at A-39.

Based on the foregoing, we conclude that LTFV imports of tone-only pagers from Japan caused material injury to the domestic tone-only pager industry.

The high capacity display pager industry

Compared with the tone-only industry conditions in the domestic display pager industry and the role of imports from Japan differ markedly. First, NEC was the initial entrant into the U.S. display pager market in 1981. Motorola did not begin shipping display pagers until July 1982. ^{60/} Initially, NEC captured most of the U.S. display pager market because no significant domestic or foreign competition existed. However, since Motorola introduced its BPR 2000 display pager in the second half of 1982, that company has become the dominant force in the rapidly expanding U.S. display pager market and has captured a substantial portion of that market. ^{61/} Correspondingly, the market penetration of imports has declined drastically. ^{62/}

Significantly, the display pager industry exhibits a different pricing and profitability picture than the tone-only pager industry. Although Motorola asserts that imports of both tone-only and display pagers suppressed prices in the display pager market, the display pager imports undersold the domestic product only in one quarter. ^{63/} This limited underselling has not affected Motorola's ability to be a viable factor in the expanding display pager market. For example, Motorola's weighted-average prices for display

^{60/} Id. at A-13.

^{61/} Id. at A-48.

^{62/} Id.

^{63/} Id. at A-30 Table 29.

paggers have increased significantly in the first quarter of 1983. ^{64/} Furthermore, their profits have improved substantially during the same period. ^{65/} Motorola's capacity utilization for its first year of production of the BPR 2000 display pager was higher than on its other models. During the first quarter of 1983, Motorola's capacity utilization on its display model has remained very high despite increases in production capacity. ^{66/}

In light of these considerations, we conclude that the high capacity tone and display pager industry is not being materially injured by reason of imports of the subject articles from Japan. Based on the following analysis, we also determine that there is no threat of material injury.

Both NEC and Matsushita have taken initial steps to commence production of high capacity paggers in the United States. Currently, NEC is finishing a new facility in Hawthorne, California. Beginning in August 1983, NEC plans to manufacture its display paggers and new tone-only pager in this plant. ^{67/} MEP, the Puerto Rican subsidiary of Matsushita, began assembling paggers in Puerto Rico in January 1983. Eventually, MEP will be assembling and producing tone-only and display paggers in Puerto Rico. ^{68/}

Based on the declining share of the display pager market held by imports from Japan, and Motorola's substantially increasing market share, its

^{64/} Id. at A-29 Table 29.

^{65/} Motorola's 1983 first quarter profits are higher than profits realized on any other pager model and overall establishment operations profits during the comparable period of 1983. Id. at A-35, 37, 41 and 43.

^{66/} Id. at A-23-25, Table 4.

^{67/} Id. at A-11-12.

^{68/} Id.

increasing average per unit selling prices production levels and profits, its current high level of capacity utilization, and the importers' intent to produce display pagers in the United States, we determine that the display pager industry in the United States is not threatened with material injury by reason of imports of display pagers from Japan, which are sold at less than fair value.

VIEWS OF COMMISSIONER PAULA STERN

This investigation involves an industry which is highly concentrated. Until recently, one domestic producer, Motorola, and one large importer, NEC Corp. (NEC), served most of the U.S. market. Despite entry of a few new foreign producers, including Matsushita, during the period of investigation, the industry remains highly concentrated. In addition, the period of investigation saw the development of large coordinated purchasers, such as Graphic Scanning, Inc. and Metromedia, Inc., for the product. Consequently, the industry is now highly concentrated both in terms of suppliers and in terms of purchasers.

This concentration limits discussion of specific data that might compromise the confidentiality of submissions in the record. However, the analysis leading to a finding of material injury is easily built on the foundation of the answers to two difficult questions relating to the definition of the domestic industry.

The domestic industry

Under the statute, the Commission must define the appropriate domestic industry in each investigation which may be accorded protection under the antidumping law. ^{1/} In this investigation, the issues of "like product" and "domestic production", concepts which underly the definition of the domestic industry, have proved to be critical. Although the Commission engages in a

^{1/} See 19 U.S.C. § 1673d(b)1.

case-by-case analysis of these two issues, I believe that certain patterns have evolved in this analysis.

Like product--Generally, "like product" analysis is founded on the following points. First, "like product" covers more than virtually identical articles and may include substantially similar articles. ^{2/} Next, "likeness" is determined on the basis of both characteristics and uses. The definitions of "like product" and "industry" are factual determinations which involve subjective considerations based on the weight of the evidence. ^{3/}

The balance of factors, such as price, similarity of manufacturing processes, interchangeability in use, and customer perceptions as to competition among products is determined on a case-by-case basis. In examining prior Commission decisions regarding "like product", it emerges that certain factors receive more emphasis in specific types of investigations. In

-
- ^{2/} The legislative history to the Trade Agreements Act of 1979 advises the Commission that:
- The requirement that a product be "like" the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not "like" each other, nor should the definition of "like product" be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation. S. Rep. No. 249, 96th Cong., 1st Sess. 90-91.
- ^{3/} The Commission's analysis of the like product question is also affected by the amount and type of data available in an investigation. Thus, in some investigations where a finding of a separate like product appears appropriate, the lack of information needed to determine the effect of imports on a particular product requires the Commission to use a "product line" analysis as provided for in 19 U.S.C. 1677(4)(D). See Views of Commissioner Stern, Certain Steel Wire Nails From the Republic of Korea, Inv. No. 731-TA-46 (Final), USITC Pub. No. 1274 at 11-12 (1982).

investigations involving chemicals, for example, the Commission has emphasized similarities in chemical formula and fungibility in uses. 4/

In investigations involving "agricultural" products, the Commission has defined "like product" broadly. Thus, in Fresh Cut Roses From The Netherlands, 701-TA-21 (Preliminary), USITC Pub. No. 1041 (1980), the Commission defined the domestic industry as producers of roses, and did not separately analyze the effect of imports on hybrid tea roses or sweetheart roses, despite a substantial difference in price and other characteristics. Similarly, in Frozen Potato Products From Canada, Inv. No. 701-TA-3 (Preliminary), USITC Pub. No. 1035 (1980), the Commission defined the "like product" to include french fries, hash-brown potatoes, potato puffs, baked potatoes, and whole, blanched potatoes. 5/

4/ See, e.g., Strontium Nitrate From Italy, Inv. No. 731-TA-33 (Final), USITC Pub. No. 1155 (1981) (imported and domestic products chemically identical and fungible are like); Precipitated Barium Carbonate From the Federal Republic of Germany, Inv. No. 731-TA-31 (Final), USITC Pub. No. 1154 (1981) (powdered and granulated chemical like because same chemical formula, substitutable, compete at same price); Menthol From The People's Republic of China, Inv. No. 731-TA-28 (Final), USITC Pub. No. 1151 (1981) (synthetic and natural l-menthol chemically identical and, unless used as flavoring, interchangeable in uses; chemically distinguishable forms of menthol and not "like"); Anhydrous Sodium Metasilicate From France, Inv. No. 731-TA-25 (Final), USITC Pub. No. 1118 (1980) (four grades based on particle size "like" since interchangeable and competitive, another product not "like" since chemically distinct, not interchangeable).

5/ See also Canned Hams and Shoulders From Belgium..., Inv. Nos. 701-TA-31-39 (Final), USITC Pub. No. 1082 (1980) (single "like product," neither quality nor size provides adequate basis for separate analysis); Fish, Fresh, Chilled, or Frozen, Whether or Not Whole But Not Otherwise Prepared or Preserved, From Canada, Inv. No. 701-TA-40 (Final), USITC Pub. No. 1066 (1980) (single "like product" includes all species of groundfish as both whole fish and fillets).

With respect to products manufactured to particular specifications, the Commission generally defines the domestic industry as those producers capable of satisfying the specifications of the particular type of contract. Thus, the Commission has not atomized the "like product" or "domestic industry." ^{6/} In this type of investigation a "like product" analysis focusing on the distinctions present in each contract or specification would result in a distorted view of the industry. An industry would consist only of the bidders on a specific contract because only those bidders could be construed as satisfying the detailed specifications. Thus, the Commission must often focus on the essential characteristics and uses of the article rather than drawing overly fine line distinctions that would render the term "industry" almost unrecognizable.

In contrast to the Commission's analysis in investigations involving agricultural products and production to specifications, the Commission has found several significant distinctions among "industrial" types of products, such as carbon steel products and pipes and tubes. ^{7/} In these investigations, the Commission has found that competition between separate products, and the existence of separate identifiable facilities, manpower,

^{6/} See Automated Fare Collection Equipment and Parts Thereaof from France, Inv. No. 701-TA-200 (Preliminary), USITC Pub. No. 1323 (1983)("like product includes all types of fare collection equipment which can be used with a transportation system; Stainless Clad Steel Plate From Japan, Inv. No. 731-TA-50, USITC Pub. No. 1270 (1982)(steel plate with varying cladding compositions completely substitutable within specifications).

^{7/} See Seamless Steel Pipes and Tubes From Japan, Inv. No. 731-TA-87 (Final), USITC Pub. No. 1347 (1983); Certain Carbon Steel Products From Belgium..., Inv. Nos. 731-TA-18 through 24 (Preliminary), USITC Pub. No. 1064 (1980).

sales force, and/or research and development associated with the manufacture of each product warranted a finding of separate "like products". ^{8/} Also differences in size, shape or composition, together with varying uses and general lack of competition between products indicate the appropriateness of separate "like product" analysis. ^{9/} This type of analysis has resulted in finding several "like products" in an investigation, ^{10/} and has been applied primarily to industrial goods where differences in size or composition are significant marketplace distinctions perceived by an experienced buyer. These differences do not reflect single transaction requirements and therefore do not contradict Commission precedent in investigations of production to specifications.

There is another line of investigations which includes articles such as portable electric typewriters, televisions, and microwave ovens. Manufacturers market these products in a range of models which appeal to different customers. In some instances, the amount of competition among models is unpredictable or immeasurable. In fact, all of the models could be competing for a particular sale. In these investigations, the Commission has emphasized similarity of basic uses, prices, sales force and channels of

^{8/} Certain Carbon Steel Products From Belgium . . . , Inv. Nos. 731-TA-18 through 24 (Preliminary) at 4 (1980); Pig Iron From Brazil, Inv. No. 701-TA-2 (Final), USITC Pub. No. 1948 (1980).

^{9/} Certain Steel Products From Belgium . . . , Inv. Nos. 701-TA-86 through 144, and 701-TA-146 and 147 (Preliminary) and Inv. Nos. 731-TA-53 through 86, USITC Pub. No. 1221 at 14 (1982). See also Views of Commissioner Stern, Carbon Steel Wire Rod from Brazil, Trinidad and Tobago, Inv. No. 731-TA-113, 114 (Preliminary), USITC Pub. No. 1316 at 54-55, n. 53 (1982).

^{10/} Id.

distribution. ^{11/} The Commission has not required fungibility or complete interchangeability as a condition for varying models to be considered "like products." Thus, in Television Receiving Sets From Japan, Inv. No. 751-TA-2, USITC Pub. No. 1153 (1981), the Commission adopted the definition of domestic industry found in the original antidumping investigation. ^{12/} Throughout the Commission report distinctions between monochrome and color television receivers and distinctions in the size of the receivers were discussed. The Commission, however, did not make like product distinctions among types of television receivers on these grounds and therefore found one "domestic industry." Consideration of this pattern of prior analysis in this investigation supports my finding that there is a single domestic industry producing high capacity pagers.

Paging devices are essentially consumer goods which are sold in a wide range of models. Each model differs slightly from other models and is marketed to appeal to a particular segment of the pager market. This situation, for example, is similar to that in the television industry discussed above where various models differ in terms of color capabilities,

^{11/} See Plastic Animal Identification Tags from New Zealand, Inv. No. 303-TA-14 (Final), USITC Pub. No. 1128 (1981); Portable Electric Typewriters from Japan, Inv. No. 731-TA-12 (Final), USITC Pub. No. 1060 (1980); Electric Motors from Japan, 731-TA-7 (Final), USITC Pub. No. 1116 (1980).

^{12/} The Commission specifically noted that this finding predated the Trade Agreements Act of 1979 in adopting this domestic industry definition. A finding of the same domestic industry logically entails finding the same "like product" as in the initial investigation. See Television Receiving Sets From Japan, Inv. No. AA1921-66, T.C. Pub. No. 367 (1971).

size and other aspects. These differences are not sufficient to warrant separate like product analysis in an antidumping investigation.

In terms of characteristics and uses, tone-only and tone and display (display) pagers are essentially the same. Both types of pagers are produced from the same components; the same employees manufacture them in the same plants on the same machinery; ^{13/} and the pagers are sold or rented in the same channels of distribution. There is complete operational interchangeability and some overlap in the paging system subscribers. ^{14/} There is a very high degree of substitutability or interchangeability between these products in terms of their essential use.

Display pagers represent an evolving technology. Although they have an additional feature which differs from tone-only pagers, both types of pagers perform the same essential alerting function. The Commission has required more distinct differences in terms of characteristics and uses than exist here to warrant separate like product treatment of this type of good.

Domestic Production--To determine the scope of the domestic industry, the Commission must determine whether Motorola's activities in the United States with respect to its Metrx and Metro-Pageboy models are sufficient to be considered domestic production. ^{15/} I concur with my colleagues that Motorola's domestic activities with respect to the Metrx and Metro-Pageboy

^{13/} Commission report at A-6-7.

^{14/} Id. at A-20-21.

^{15/} Motorola's other pager models--the BPR 2000 tone-only, Sensar, BPR 2000 display and Optrex--are assembled in the United States substantially from U.S. components. Report at A-6-7. Thus, they are clearly part of the domestic industry.

model high capacity pagers are domestic production for the purposes of this investigation. The Commission has not been previously presented so clearly with the issue of what activities or attributes qualify a company as a domestic producer of a like product for the purposes of a final antidumping investigation. Thus, I shall indicate some of the considerations which were pertinent to this finding.

The Commission has addressed the domestic industry issue in the context of escape clause and unfair trade practices investigations. ^{16/} The analysis of the domestic industry issue under each of these causes of action has focused on production related activity occurring in the United States. ^{17/} In my views in Heavyweight Motorcycles, and Engines and Power Train Subassemblies Therefor (Motorcycles), Inv. No. TA-201-47, I discussed five suggested criteria for determining whether a particular company is a member of the domestic industry, i.e. whether that company is engaged in domestic production of a like product. ^{18/} The five suggested criteria included: (1) substantial change, (2) domestic content or value added, (3) major component, (4) commitment to the United States, and (5) degree of control. As I noted in that investigation, none of these tests or criteria is

^{16/} See Heavyweight Motorcycles, and Engines and Power Train Subassemblies Therefor, Inv. No. TA-201-47, USITC Pub. No. 1342 (1983) (Views of Commissioner Stern at 60); Certain Cube Puzzles, Inv. No. 337-TA-112, USITC Pub. No. 1334 (1983) (Views of Commissioner Stern at 36); Certain Miniature Battery-Operated All Terrain, Wheeled Vehicles, Inv. No. 337-TA-122, USITC Pub. No. 1300 (1982).

^{17/} See Motorcycles at 60; Cube Puzzles at 27-30; Miniature Vehicles at 6 n.8, 30.

^{18/} Heavyweight Motorcycles, note 16 supra, at 60-62.

boards are dedicated for use in a pager, they cannot be used as pagers without additional production steps. These additional production steps involve more than just assembly. For example, programming a PROM, a Programmable Read Only Memory integrated circuit, is an activity which the U.S. Court of International Trade recognizes as involving substantial technological expertise. ^{20/} Programming the code plug is significant because the "circuit pattern distinctive of a pager" ^{21/} is incomplete as imported into the United States, and the process necessary for completion is more complex than just assembling imported parts. These activities are an important portion of the U.S. operation.

The next suggested criterion is value added or domestic content. In this analysis the critical determination involves the designation of production related activities. I have considered only domestic component value and domestic activities directly related to production of the like product. I have distinguished between those activities leading to the ultimate product such as portions of research and development specifically attributable to production of the like product, product design and engineering, and market research which could potentially lead to product modification, and other activities such as sales and product support. Sales and product support activities should not be included in this calculation because they are not directly related to production and do not serve to distinguish a domestic

^{20/} See Data General Corp. v. United States, 3 CIT--slip op. 82-93 (Oct. 29, 1982).

^{21/} Id.

and related products. With respect to these two models, Motorola employed a substantial number of production and related workers in the United States throughout the period of investigation. Although the number of domestic employees working on the Metrx and Metro-Pageboy models decreased in the first quarter of 1983, domestic employment remained at a significant level. ^{24/} Motorola has two facilities in Florida where research and development and production activities specifically related to the Metrx and Metro-Pageboy pagers take place. Other high capacity pager models are also produced in these facilities.

In terms of the "degree of control" criteria, Motorola is clearly a domestic entity. All of the decisions relating to the location of production, production quantities, pricing and product marketing are made in the United States.

On balance, I find that Motorola's activities in the United States relating to the Metrx and Metro-Pageboy pagers satisfy the domestic production requirement. Although the most obvious production related activity, the assembly and soldering of the circuit boards, occurs abroad, significant production activity occurs in the United States both before and after this foreign processing.

On the other hand, important distinctions exist between Motorola's domestic operations and NEC and Matsushita's operations in the United States. Although all three firms substantially change the pager boards imported into

^{24/} Id. at A-30.

domestic industry sold more pagers but at severely depressed prices. ^{27/}
 Consequently, the financial experience of the industry reveals profitability problems. Motorola's profits continue to show the affects of this price suppression. ^{28/}

The high capacity pager market is highly concentrated with relatively few large buyers accounting for the majority of sales. This concentration in the purchasers side of the market is fairly recent and coincides in time with the entrance of other high capacity pager manufacturers into the U.S. market, such as Multitone Electronics co., Ltd. of the United Kingdom. ^{29/} Thus, price competition sharpened in the high capacity pager market, and loss of a single large customer can result in the loss of a substantial portion of a firm's sales.

NEC entered the U.S. high capacity pager market in 1976 and Matsushita entered this market in 1981. ^{30/} Prices on sales to Radio Common Carriers (RCCs), which represented the vast majority of total domestic sales remained stable from 1979 through the first three quarters of 1981. ^{31/} At these prices the NEC product did in fact undersell the domestic high capacity pagers. ^{32/} However, in late 1981 Matsushita began taking large orders at prices drastically below Motorola's prices. ^{33/} It was booking orders on

^{27/} Because of the large amount of confidential business information in this investigation, this discussion is necessarily in generalized terms.

^{28/} Report at A-33 Table 15.

^{29/} See *id.* at A-20-21; TR at 19-23.

^{30/} Report at A-11-12.

^{31/} *Id.* at A-52-53 Table 27.

^{32/} *Id.* at A-52-53 Table 27.

^{33/} *Id.* at A-20-21, A-61-62.

has been insufficient to overcome the effects of less than fair value sales on the industry as a whole.

Based on these considerations, I conclude that the domestic high capacity pager industry is materially injured by reason of imports of high capacity pagers from Japan, which are sold at less than fair value.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On February 1, 1983, the U.S. Department of Commerce made a preliminary determination that there is a reasonable basis to believe or suspect that certain radio paging and alerting receiving devices (hereinafter referred to as high-capacity pagers) from Japan are being, or are likely to be, sold in the United States at less than fair value (LTFV) 1/. Accordingly, the U.S. International Trade Commission instituted investigation No. 731-TA-102 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Japan of the specified merchandise. Notice of the institution of the Commission's final investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on February 24, 1983 (48 F.R. 7827). 2/ The hearing was held in Washington, D.C., on June 21, 1983. 3/ On June 16, 1983, the Department of Commerce made its final determination that high-capacity pagers from Japan are being, or are likely to be, sold in the United States at LTFV. Therefore, as directed by the statute, the Commission must render its final determination concerning injury in this case within 45 days after the date Commerce's of final determination, or by August 1, 1983.

Background

On August 19, 1982, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of Motorola, Inc., Schaumburg, Ill., alleging that imports of high-capacity pagers 4/ from

1/ A copy of Commerce's preliminary and final determinations, as published in the Federal Register on Feb. 1, 1983 (48 F.R. 4498), and June 23, 1983 (48 F.R. 28682), are presented in app. A.

2/ A copy of the Commission's notice is presented in app. B.

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

4/ High-capacity pagers are paging receivers that operate on a high-capacity system. A high-capacity system is defined as one which operates on a single channel, using a single signaling format, and which is designed to support 3,000 or more subscriber receivers. Paging receivers designed to operate in a high-capacity system are called high-capacity pagers. It is not the pager, however, which has the high capacity, but rather the system. Low-capacity pagers are paging receivers that operate on a single channel, using a single signaling format, and have a design limitation which prohibits the systems from supporting 3,000 or more subscribing receivers. For example, a "tone and voice" paging system, although perhaps having the capability of transmitting pages to large numbers of individual addresses, cannot support 3,000 subscribers on a single channel, and is therefore considered low capacity. Since low-capacity pagers were excluded from the scope of Commerce's investigation, this report does not discuss them.

Hong Kong prices with prices for display pagers in the United States, Commerce found margins on 5 percent of sales ranging from 0.4 to 13 percent, resulting in a weighted-average margin of 0.13 percent. The weighted-average margin for all of NEC's high-capacity pager sales is 21.13 percent. Commerce also found weighted-average margins of 41.80 percent for other Japanese manufacturers, sellers, and exporters of all models of high-capacity pagers. Although Commerce found that the weighted-average margin for NEC display pagers is de minimis, the Department continued the investigation on display pagers with respect to both NEC and Matsushita. The full text of Commerce's final determination is presented in appendix A of the report.

The Product

Description and uses

The imported products subject to this investigation are high-capacity radio paging receivers. Both the imported and domestic models are available in the United States with similar features. The types of pagers available in the U.S. market 1/ by manufacturers, are as shown in the following tabulation:

Manufacturer	:	:	Tone-only pager	
			Binary code	5- or 6-tone signaling
	:	:	signaling	
Motorola-----	:	:	:	:
	X	<u>1/</u>	X	X
Matsushita-----	:	:	X	-
	X	<u>2/</u>	:	:
NEC-----	:	:	X	X
	X	:	:	:

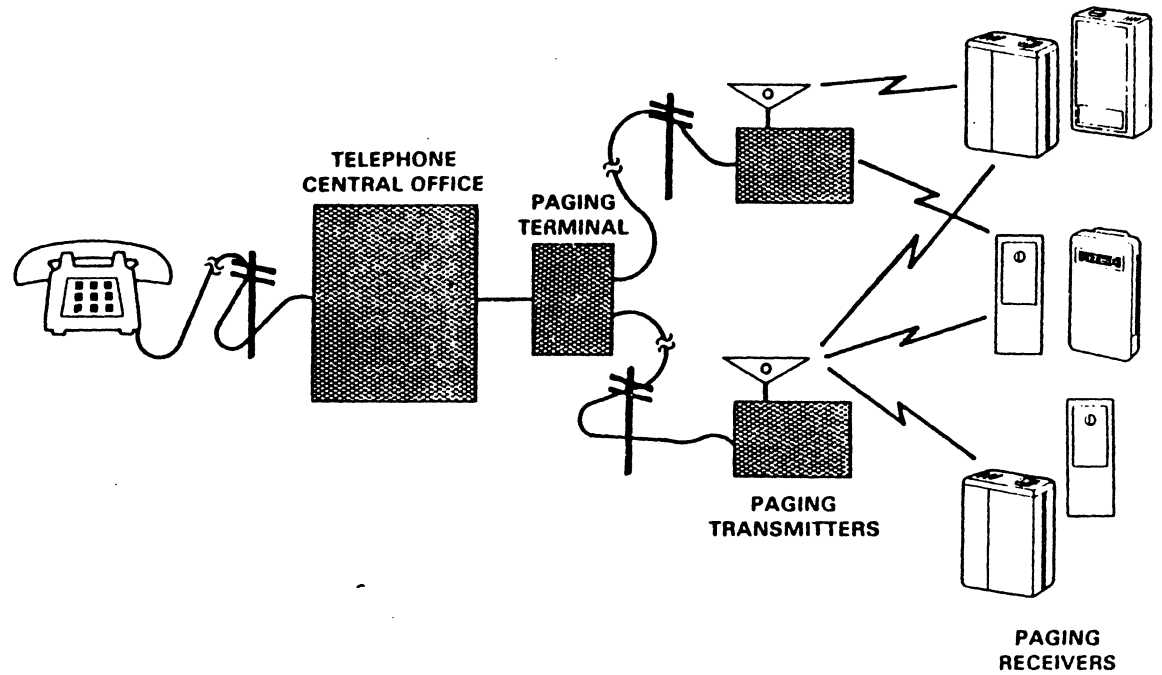
1/ Motorola began shipments of display pagers in July 1982.

2/ Matsushita began shipments of display pagers in * * * 1982.

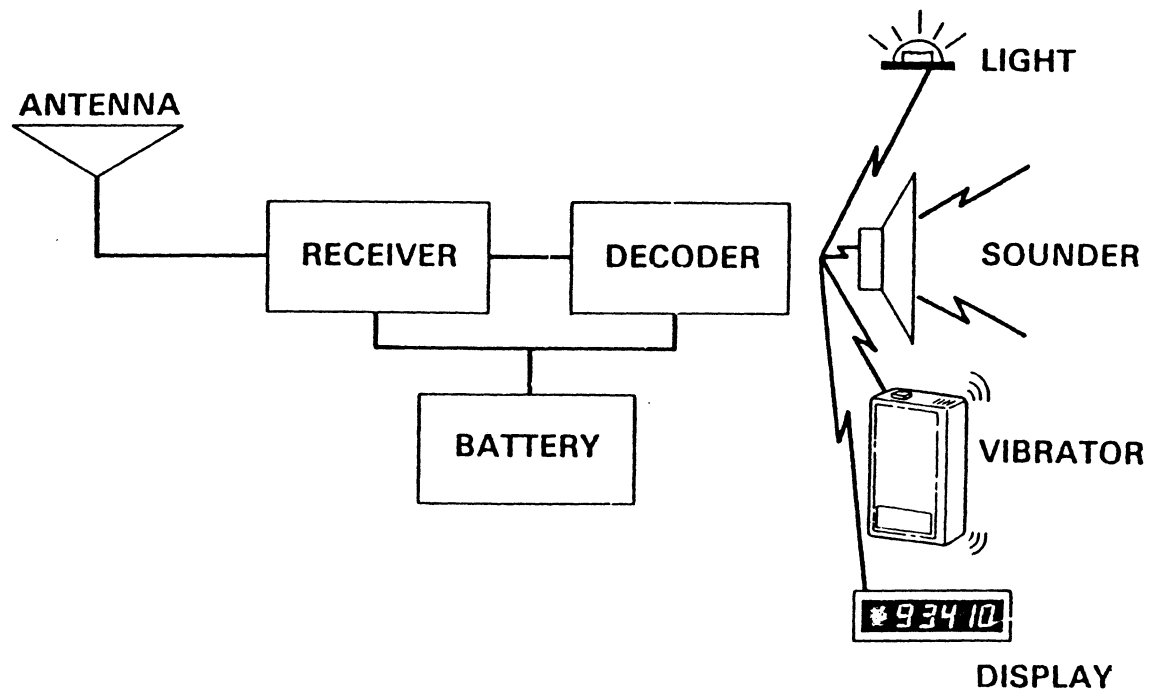
The imported and U.S.-produced tone-only pagers are similar in terms of complexity of design and construction. The design of the decoding section of the receivers varies to accommodate the various signaling schemes. Motorola manufactures pagers using the Golay binary decoding scheme as well as the Post Office Coding Standardization Advisory Group (POCSAG) code, a binary coding scheme devised for use by the British Post Office. Motorola manufactures pagers using the Golay format for domestic sales and the POCSAG format for export sales to the European Community. Matsushita employs the POCSAG scheme for the U.S. market; NEC and Harris Corp. (another domestic producer) utilize their own exclusive coding formats. However, NEC is developing a POCSAG pager for the U.S. market. From a production point of view, a pager with one coding scheme can be produced as readily as one with another coding scheme.

1/ Another type of pager, the "tone and voice," is not featured in the tabulation, although it is briefly described later in this report. It is not within the scope of this investigation, since it is considered to be a low-capacity pager.

SUBSCRIBER PAGING SYSTEM



BASIC PAGER DESIGN BLOCKS



* * * * *

A similar procedure is followed in producing the BPR display pager, except that there is a * * * for the display. * * *.

* * * * *

In the production of the Sensar and Optrx pagers, Motorola uses * * * assembly operation. * * *. The rest of the procedure is analogous to * * *.

Matsushita Electric of Puerto Rico's high-capacity pager operations.--Matsushita Electric of Puerto Rico (MEP) began production of pagers in Puerto Rico in *** 1983. Prior to 1983, production of these pagers took place in Japan. They were imported into the United States by either Panasonic Industrial Co. (a wholly owned subsidiary of Matsushita Electric Industrial Co., Ltd, of Japan) or by individual, independent companies.

* * * * *

* * * * *

MEP estimates that U.S. content accounts for * * * percent of the cost of production of the pager. However, by September 1983, U.S. content will rise to over * * * percent when the * * * for the pagers will be domestically made, and the * * * will be fabricated in the United States. 2/

NEC America's high-capacity pager operations--The NEC high-capacity pagers are imported into the United States as basically complete articles. However, these pagers still require a substantial amount of work before they can be shipped to NEC's customers. The NEC pagers in their imported condition * * *. In addition, * * * are replaced in * * * percent of the pagers.

* * * * *

In August 1983, NEC will begin its own assembly-production operation similar to Matsushita's Puerto Rico operation (see U.S. importers' and foreign producers sections for details). 3/

1/ Matsushita supplemental questionnaires response.

2/ According to Counsel for Matsushita and MEP.

3/ Information given to the Commission's investigator at NEC America's Hawthorne, Calif. plant, Apr. 28 and 29, 1983.

U.S. tariff treatment

High-capacity pagers and their parts are classified for tariff purposes under items 685.24, 685.29 1/ and 685.70 of the Tariff Schedules of the United States (TSUS). Tone-only paging receivers and parts thereof are classified under item 685.70, and all other complete paging receivers are classified under item 685.24. 2/ TSUS item 685.29 includes, among other things, parts for radio paging receivers that are classifiable in item 685.24. In addition to high-capacity display pagers, item 685.24 covers other solid-state radio receivers designed for other than motor-vehicle installation; and in addition to tone-only pagers, item 685.70 includes other signaling devices, such as burglar alarms, smoke detectors, indicator panels, and other sound- or visual signaling apparatus.

The column 1 (most-favored-nation) rates of duty for items 685.24, 685.29, and 685.70 are 8.8 percent ad valorem, 6.0 percent ad valorem, and 3.5 percent ad valorem, respectively. The column 2 rate of duty is 35 percent ad valorem for items 685.24, 685.29, and 685.70; 3/ there are no known imports of the subject articles from column 2 countries. As a result of concessions granted in the Tokyo round of Multilateral Trade Negotiations (MTN), column 1 rates of duty are to be reduced to 6 percent and 2.7 percent ad valorem for items 685.24 and 685.70, respectively, by January 1, 1987. No concessions were made for TSUS item 685.29. The rate for least developed developing countries (LDDC's) for TSUS items 685.24 and 685.29 is 6 percent ad valorem; that for item 685.70 is 2.7 percent. 4/ Imports under item 685.70 from all designated beneficiary developing countries are eligible for duty-free treatment under the Generalized System of Preferences (GSP); 5/ imports under item 685.24 from beneficiary countries other than Hong Kong, the Republic of Korea, Singapore, and Taiwan are also eligible for duty-free entry, as are imports under item 685.29 from beneficiary countries other than Taiwan. 6/

The staged duty reductions as a result of the MTN are shown in table 1.

1/ The Commission's notice of investigation did not include TSUS item 685.29. Commerce also did not include this TSUS item in its investigation.

2/ As a result of U.S. Customs Ruling 530-71 in October 1971, as amended in November 1971 and as amplified in unpublished internal ruling 063939.

3/ Applicable to countries enumerated in general headnote 3(f) of the TSUS.

4/ The preferential rates of duty in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items which are the products of least developed developing countries, enumerated in general headnote 3(d) of the TSUSA. Where no rate of duty is provided in the "LDDC" column for an item, the rate of duty in col. 1 applies.

5/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

6/ Motorola informed the Commission that it will not be eligible for GSP treatment on its imports of decoder and receiver boards from Korea.

Table 1.--Certain radio paging and alerting receiving devices: Pre-MTN rates of duty and staged rate-of-duty modifications, 1980-87

(Percent ad valorem)											
TSUS	: Pre-MTN	:	Rates of duty effective with respect								
item	: col. 1	:	to articles entered on and after Jan. 1--								
No.	: rate of	:	1980 <u>2/</u>	: 1981	: 1982	: 1983	: 1984	: 1985	: 1986	: 1987	
	: duty 1/	:									
685.24----	10.4%	:	9.9%	: 9.3%	: 8.8%	: 8.2%	: 7.7%	: 7.1%	: 6.6%	: 6.0%	
685.29 <u>3/-</u>	6.0%	:	6.0%	: 6.0%	: 6.0%	: 6.0%	: 6.0%	: 6.0%	: 6.0%	: 6.0%	
685.70----	4%	:	3.8%	: 3.7%	: 3.5%	: 3.4%	: 3.2%	: 3.0%	: 2.9%	: 2.7%	
		:									

1/ Rate effective prior to Jan. 1, 1980.

2/ The first staged rate reduction became effective Jan. 1, 1980.

3/ No concessions were made for 685.29.

The specific customs treatment of Motorola's imports * * *

* * * * *

NEC America imports all of their high-capacity pagers under TSUS items * * * through the Port of * * *.

U.S. Producers

Motorola, Inc. (headquartered in Schaumburg, Ill.), is the largest U.S. producer of high-capacity paging receivers, accounting for over * * * percent of U.S. production in 1982. Motorola, Inc., is a multinational corporation operating 43 production facilities for electronic and communications products

1/ * * *

in the United States and abroad. Manufacturing facilities for the production of high-capacity pagers and pager components are located in Plantation and Boca Raton, Fla., Penang, Malaysia, and, more recently, in Seoul, South Korea. * * *

* * * * *

RF Communication, a division of Harris Corp., a multinational corporation, was formerly the second largest domestic manufacturer of high-capacity paging receivers. Harris bought the Martin Marietta line of pagers in 1977. The Harris paging receivers were manufactured in Rochester, N.Y. Harris Corp. informed the Commission that for "purely normal business considerations" it has decided to "only minimally participate in the U.S. pager market." Their current involvement is limited to supplying small quantities of pagers to long-standing customers that have purchased the Harris paging system. 1/

Other domestic producers of paging receivers include General Electric Corp., Reach Electronics, Inc., Sonar Radio, Kel Corp., and Meta Systems. General Electric, Reach Electronics, Sonar Radio, and Kel Corp. manufacture primarily low-capacity paging receivers, and Meta Systems produces very small quantities of specialized high-capacity paging receivers. Bell & Howell Co. produced paging receivers prior to 1977. It stopped production and sold its line of pagers to Kel Corp., allegedly because prevailing market prices were too low for them to compete effectively. According to industry sources, * * *, and * * * had announced plans to enter the market in 1980, but to date, they have not, because they allegedly feel that they cannot effectively compete given current market prices. 2/

U.S. Importers and Foreign Producers

NEC America Inc., a wholly owned subsidiary of NEC Corp. (Japan), is the largest U.S. importer of high-capacity pagers, accounting for * * * percent of total U.S. imports in 1982. 3/ NEC currently has its pager production facilities in Japan, but finishes the product to customer specification in its plants in Hawthorne, Calif. In August 1983, NEC America will commence production of high-capacity pagers in the United States. The new production facility (currently under extensive renovation) will be housed in a 53,000-square-foot building adjacent to NEC America's headquarters in Hawthorne. NEC estimates that it will initially hire *** workers in the

1/ Letter dated Mar. 1, 1983, to Chairman Eckes.

2/ According to * * *.

3/ NEC markets its products in the United States through an independent selling agent, National Marketing, Inc.

* * * * *

Panasonic Industrial Corp., a subsidiary of Matsushita headquartered in Secaucus, N.J., entered the U.S. high-capacity pager market in 1981. Matsushita presently * * *. In 1983, Matsushita started a high-capacity pager assembly operation in Puerto Rico through a subsidiary called Matsushita Electric Corp. of Puerto Rico * * *. MEP expects to expand its Puerto Rico pager operations to a complete manufacturing operation by * * *. Currently, MEP estimates that it has capacity to assemble * * * pagers a month. MEP will be assembling and eventually producing both tone-only and display POCSAG pagers.

Standard Telephone & Cable, Ltd., of Great Britain (STC), a subsidiary of International Telephone & Telegraph, began exporting a low-cost, tone-only pager to the United States in 1983. The STC pagers are manufactured in Belfast, Northern Ireland. * * * of the STC pagers are being made for Tandy Co., which will retail the pagers to the consumer market in their Radio Shack store outlets. Tandy informed the Commission that it pays approximately * * * per pager and expects to retail them at \$99. When a purchaser buys a Tandy pager, he or she also agrees to a service contract with a local radio common carrier (RCC) for the paging service. Tandy has contracted with STC for * * * pagers to be delivered in * * *. In 1983, Tandy had hoped to market between * * * and * * * pagers. * * *. If the U.S. market accepts the Tandy pager and the concept of consumer paging, Tandy will * * *.

The only other foreign producer currently marketing a high-capacity pager in the United States is Multitone Electronics Co. Ltd. of the United Kingdom. The Multitone (POCSAG format) pagers are marketed through a wholly owned U.S. subsidiary, located in Springfield, N.J.

Standard Communications, Los Angeles, Calif., will soon begin the importation and marketing of POCSAG format, * * * pagers manufactured by * * * of Japan. Standard Communications is * * *. 2/

Other foreign producers of paging receivers not currently exporting to the United States include Iwatsu Electric Co. of Japan; Iwata Electric Works Co., Ltd., of Japan; Fujitsu, Ltd., of Japan; Toshiba Corp. of Japan; Toyocom Equipment Co. of Japan; and Philips Telecommunicatie Industrie, a subsidiary of Philips Gloeilampenfabrieken NV, of the Netherlands.

Motorola, NEC, MCI, Kokusai, Toyocom, and Toshiba are the six suppliers to Nippon Telephone & Telegraph (NTT) in Japan. NTT is the state-controlled communication network, and is the only common carrier in Japan authorized to handle subscription paging.

1/ Transcript of the hearing, pp. 296-297.

2/ Another Japanese producer, ***, has * * *.

U.S. Market

Apparent U.S. consumption of all high-capacity pagers increased each year, from * * * units in 1979 to * * * units in 1981, or by * * * percent (fig. 2, app. E). In 1982, apparent U.S. consumption of high-capacity jumped to * * * units, or by * * * percent over that in the previous year (table 2). During 1979-81, tone-only pagers accounted for the vast majority of the U.S. market. However, in 1982, the tone-and-display pager market began to grow, accounting for * * * percent of the total pager market for that year, and then grew again in January-June 1983 to * * * percent of the total pager market.

There were no U.S. shipments of domestically produced tone-and-display pagers from January 1979 through June 1982. Motorola began shipments in July 1982 and ended up accounting for*** percent of that market in 1982. In January-June 1983, Motorola's share of the display pager market increased to * * * percent.

Table 2.--High-capacity pagers: Apparent U.S. consumption, by types, 1979-82, January-June 1982, and January-June 1983

(In units)								
Product	:	:	:	:	:	:	Jan.-June	
	:	1979	:	1980	:	1981	:	1982
	:	:	:	:	:	:	:	1982
	:	:	:	:	:	:	:	1983 <u>1/</u>
Tone-only-----	:	***	:	***	:	***	:	***
Tone-and-display----	:	***	:	***	:	***	:	***
Other-----	:	***	:	***	:	***	:	***
Total-----	:	***	:	***	:	***	:	***
	:	:	:	:	:	:	:	:

1/ Data are based on projections.

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

Consideration of Injury or Likelihood Thereof

U.S. production, capacity, and capacity utilization 1/

U.S. production of high-capacity pagers increased from * * * units in 1979 to * * * units in 1981, or by * * * percent (table 3). In 1982, production increased by * * * percent to * * * units. Motorola did not begin to produce a display pager until July 1982, but nevertheless was able to

1/ The statistics presented in this section include data from Motorola. Harris Corp. did not provide information on production and capacity. Matsushita Electric of Puerto Rico started pager assembly-production in 1983. * * *.

Table 3.--High-capacity pagers: U.S. production, capacity, and capacity utilization, 1979-82, January-March 1982, and January-March 1983 1/

Period	Production	Capacity	Capacity utilization
	Units	Units	Percent
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***
1982-----	***	***	***
January-March--			
1982-----	***	***	***
1983-----	***	***	***

1/ U.S. production and capacity during 1979-81 consisted exclusively of tone-only pagers.

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

produce * * * units in July-December 1982. However, the largest growth area for Motorola's pager products in 1982 was the * * *, which experienced an increase of * * * units over the production levels of 1981. In January-March 1983, total pager production increased by almost * * * percent over that in the corresponding period of 1982.

Motorola increased its production capacity from * * * units in 1979 to * * * units in 1981, or by * * * percent. In 1982, Motorola increased its capacity to produce high-capacity pagers by * * * percent over the 1981 level.

In July 1982, Motorola adjusted its production capacity to include the production of display pagers. Motorola estimates its display pager production capacity in 1983 at * * * units per year. In 1983, Motorola added two new pager product lines, the tone-only Sensor and tone-and-display Optrex. Both of these products are manufactured at the ***. ***. 1/

Motorola has * * * U.S. facilities in Plantation, Fla., for its production of high-capacity pagers for Nippon Telephone & Telegraph of Japan. Motorola estimates that its capacity to produce NTT "pocket bell" (tone-only) pagers after March 1982 will be * * * units a year. Production of the NTT pagers amounted to * * * units in 1982, and capacity utilization for this facility was * * * percent. 2/

Capacity utilization in Motorola's production facilities for all pagers declined from * * * percent in 1979 to * * * percent in 1981, and then increased slightly to * * * percent in 1982. In January-March 1983, capacity

1/ Motorola questionnaires and responses to the Commission's investigator's questions during a visit to Motorola's facilities, Mar. 14-18, 1983.

2/ Motorola's NTT production and capacity statistics are included in table A-34.

utilization declined to * * * percent, compared with * * * percent in the corresponding period of 1982.

* * * * *

Table 4.--High-capacity pagers: U.S. production, capacity, and capacity utilization, by models, 1979-82, January-March 1982, and January-March 1983

Period and product	Production	Capacity	Capacity utilization
	Units	Units	Percent
1979:			
Tone only:			
Metrx-----	***	***	***
Metro-Pageboy-----	***	***	***
BPR 2000-----	***	***	***
NTT Pager-----	***	***	***
Tone and display:			
BPR 2000-----	***	***	***
Total-----	***	***	***
1980:			
Tone only:			
Metrx-----	***	***	***
Metro-Pageboy-----	***	***	***
BPR 2000-----	***	***	***
NTT Pager-----	***	***	***
Tone and display:			
BPR 2000-----	***	***	***
Total-----	***	***	***
1981:			
Tone only:			
Metrx-----	***	***	***
Metro-Pageboy-----	***	***	***
BPR 2000-----	***	***	***
NTT Pager-----	***	***	***
Tone and display:			
BPR 2000-----	***	***	***
Total-----	***	***	***
1982:			
Tone only:			
Metrx-----	***	***	***
Metro-Pageboy-----	***	***	***
BPR 2000-----	***	***	***
NTT Pager-----	***	***	***
Tone and display:			
BPR 2000-----	***	***	***
Total-----	***	***	***

Table 4.--High-capacity pagers: U.S. production, capacity and capacity utilization by model, 1979-1982, January-March 1982 and January-March 1983--Continued

Period and product	Production	Capacity	Capacity utilization
	Units	Units	Percent
January-March--			
1982:			
Tone only:			
Metrx-----	***	***	***
Metro-Pageboy-----	***	***	***
BPR 2000-----	***	***	***
NTT Pager-----	***	***	***
Tone and display:			
BPR 2000-----	***	***	***
Total-----	***	***	***
1983:			
Tone only:			
Metrx-----	***	***	***
Metro-Pageboy-----	***	***	***
BPR 2000-----	***	***	***
NTT Pager-----	***	***	***
Tone and display:			
BPR 2000-----	***	1/	***
Total-----	2/	1/	***

1/ Includes * * *-unit capacity for the Oprtx pager.

2/ Includes production of * * * Oprtx pagers.

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

Domestic shipments

Total domestic shipments of high-capacity pagers increased each year during 1979-81, from * * * units in 1979 to * * * units in 1981. In 1982, total domestic shipments increased by * * * percent to * * * units (table 5 and fig. 3). Again in January-June 1983, domestic shipments increased by * * * percent over those in the corresponding period of 1982. During 1979-82, tone-only pagers accounted for * * * percent of domestic shipments. Motorola started domestic shipments of display pagers in July 1982. 1/

1/ Motorola's first commercial shipment of display pagers * * * was delivered in * * * July 1982.

Table 5.--High-capacity pagers: U.S. shipments, by firms, 1979-82,
January-June 1982, and January-June 1983 1/

Firm	1979	1980	1981	1982	January-June--	
					1982	1983 <u>2/</u>
Motorola-----	***	***	***	***	***	***
Harris <u>3/</u> -----	***	***	***	***	***	<u>4/</u>
Matsushita (MEP) <u>5/</u> -----	***	***	***	***	***	<u>3/</u> ***
Total-----	***	***	***	***	***	***

1/ U.S. shipments during 1979-81 consisted exclusively of tone-only pagers.

2/ Data are based on projections.

3/ Data are based on company estimates.

4/ Not available.

5/ MEP produced * * * high-capacity pagers.

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

Motorola accounted for approximately * * * percent of domestic shipments during 1979-82. From 1979 to 1982, Motorola's domestic shipments * * * from * * * units to * * * units, or by * * * percent. The Metrx and Metro-Pageboy models * * * Motorola shipments *** 1982, when Motorola introduced its new line of BPR tone-only and display pagers. Domestic shipments of the Metrx pager *** throughout 1979-82, from * * * units to * * * units, or by * * * percent (table 6 and fig. 4). *** the Metro-Pageboy * * * shipments during 1979-82, from * * * units to only * * * units, or by * * * percent (fig. 5). Unit values of the Metrx pager, as shown in table 6, * * * each year, from * * * in 1979 to * * * in 1981, * * * in 1982 (the alleged period of LTFV sales) to * * *.

Table 6.--High-capacity pagers: Motorola's U.S. shipments, by models, 1979-82, January-March 1982, and January-March 1983

Type and model	1979	1980	1981	1982	January-March--	
					1982	1983
Quantity						
Tone-only:	***	***	***	***	***	***
Metrx-----	***	***	***	***	***	***
Metro-Pageboy-----	***	***	***	***	***	***
BPR 2000-----	***	***	***	***	***	***
Tone-and-display:	***	***	***	***	***	***
BPR 2000-----	***	***	***	***	***	***
Total-----	***	***	***	***	***	***
(Value 1,000 dollars)						
Tone-only:	***	***	***	***	***	***
Metrx-----	***	***	***	***	***	***
Metro-Pageboy-----	***	***	***	***	***	***
BPR 2000-----	***	***	***	***	***	***
Tone-and-display:	***	***	***	***	***	***
BPR 2000-----	***	***	***	***	***	***
Total-----	***	***	***	***	***	***
Unit value						
Tone-only:	***	***	***	***	***	***
Metrx-----	***	***	***	***	***	***
Metro-Pageboy-----	***	***	***	***	***	***
BPR 2000-----	***	***	***	***	***	***
Tone-and-display:	***	***	***	***	***	***
BPR 2000-----	***	***	***	***	***	***
Total-----	***	***	***	***	***	***

1/ Includes * * * Optrx pagers.

2/ Includes * * * value for the * * * Optrx unit.

3/ Unit value of the Metro-Pageboy in January-March 1982 are * * *.

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

In January-June 1983, Metrx shipments * * * percent from these in the corresponding period of 1982, and at the same time, shipments of the BPR display pagers in January-June 1983 * * * the shipments for this model for the full year of 1982, as shown in the following tabulation:

<u>Type and model</u>	<u>January-June--</u>	
	<u>1982</u>	<u>1983</u> <u>1/</u>
Tone-only:		
Metrx-----	***	***
Metro-Pageboy-----	***	***
BPR 2000-----	***	***
Sensar-----	***	***
Tone-and-display:		
BPR 2000-----	***	***
Optrx-----	***	***

1/ Based on estimates by Motorola.

Over * * * percent of Motorola's domestic shipments during the period were to radio common carriers. Their largest customer was * * * 1/ which purchased an * * * of Motorola's total domestic shipments of high-capacity pagers, as follows:

* * * purchases from Motorola

<u>Year</u>	<u>Units purchased</u>	<u>Share of Motorola's</u> <u>shipments</u> <u>(percent)</u>
1980-----	***	***
1981-----	***	***
1982-----	***	***

In 1982, *** percent of Motorola's total domestic shipments were accounted * * * . A breakdown by models * * * 1982 purchases from Motorola are as follows:

<u>Model</u>	<u>Number of</u> <u>units</u>	<u>Average unit</u> <u>value</u>
Metrx-----	***	***
Metro-Pageboy-----	***	<u>1/</u>
BPR-Tone only-----	***	<u>1/</u>
BPR-Display----- <u>1/</u>	***	***

1/ Not available.

1/ * * * owns approximately * * * RCC's throughout the United States.

*** accounted for *** percent of Motorola's domestic Metrx sales and *** percent of BPR display pager sales in 1982. These *** purchases have *** Motorola's Metrx and BPR display pagers. For example, the average unit value in 1982 of Motorola's Metrx pagers to all customers ***, compared with ***, representing a *** in unit values. Motorola informed the Commission that it had to *** its pager prices in order not to lose its business with ***. Motorola alleges that it would have lost *** as a customer if it had not taken this action. ***.

*** informed the Commission that during October 1981, *** was actively seeking an order from *** for tone-only pagers at approximately *** per unit. 2/ ***. *** denied approaching Motorola to lower its prices because of the *** offer. However, *** knew that Motorola was aware that *** was actively seeking the ***. When Motorola drastically reduced the price of the Metrx pagers to the *** range, ***.

*** (see page A-62). 3/

Export shipments

Motorola's exports of tone-only, high-capacity pagers increased from *** units in 1979 to *** units in 1982, as shown in the following tabulation. Motorola's exports in 1982 increased by *** percent over those in the corresponding period of 1981, owing largely to ***.

<u>Period</u>	<u>Motorola's exports</u> <u>(units)</u>
1979-----	***
1980-----	***
1981-----	***
1982-----	<u>2/</u> ***
January-March--	
1982-----	<u>3/</u> ***
1983-----	<u>4/</u> ***

1/ Includes *** units shipped to NTT.

2/ Includes *** units shipped to NTT.

3/ Includes *** units shipped to NTT.

4/ Includes *** units shipped to NTT.

1/ *** ordered an additional *** BPR display pagers in 1982 that ***.

2/ Interview with the Commission's staff by *** of *** (June 17, 1983).

3/ Submission by counsel for Matsushita, dated July 6, 1983.

U.S. inventories

Since Motorola's high-capacity pagers are built to unique customer requirements, the company does * * *. ^{1/} The following tabulation provides a * * * inventory of high-capacity pagers based on * * *.

<u>As of Dec. 31--</u>	<u>Estimated value</u> <u>(1,000 dollars)</u>
1979-----	***
1980-----	***
1981-----	***
1982-----	***
 <u>As of Mar. 31--</u>	
1982-----	***
1983-----	***

U.S. imports

High-capacity pagers.--Total U.S imports of high-capacity pagers ^{2/} increased each year during 1979-82, from * * * units in 1979 to * * * units in 1982. As shown in table 7, the large increase in imports was due to the increase in imports of tone-and-display pagers, which increased from * * * units in 1981 to * * * units in 1982. In contrast, imports of tone-only pagers increased only slightly each year from * * * units in 1980 to * * * units in 1982. In the first half 1983, imports of tone-only pagers are down slightly as are imports of tone and display pagers from the levels reported in the comparable period of 1982. Imports of tone-only pagers would have experienced a sharper decline in the first half of 1983 if not for the influx of the STC tone-only pagers (* * * units in the first half of 1983) from Great Britain, * * *. The Japanese exporters have almost stopped shipments of tone-only pagers to the United States in 1983. For display pagers, the decline in imports during the first half of 1983 reflects the start of Matsushita's assembly operation in Puerto Rico, and a decline in NEC imports due to * * * display pagers in the United States.

^{1/} Statements by Motorola in its response to the Commission's questionnaire.

^{2/} In addition to the complete pagers considered here, Motorola imports from Malaysia, subassemblies that are dedicated for use in the "Metrx and Metro-Pageboy" high-capacity pagers. In 1983, MCI began importing * * * into Puerto Rico.

Table 7.--High-capacity pagers: U.S. imports for consumption, by types, 1979-82, January-June 1982, and January-June 1983

(In units)				
Period	Tone-only pagers	Display pagers	Total pager imports	
1979-----	***	***	***	***
1980-----	***	***	1/	***
1981-----	***	***	2/	***
1982-----	***	***	3/	***
January-June--6/				
1982-----	***	***	4/	***
1983-----	***	***	5/	***
1/ Includes * * * units of display and voice pagers from the United Kingdom 2/ Includes * * * units of display and voice pagers from the United Kingdom. 3/ Includes * * * units of display and voice pagers from the United Kingdom. 4/ Includes * * * units of display and voice pagers from the United Kingdom. 5/ Includes * * * units of display and voice pagers from the United Kingdom. 6/ January-June 1983 data are based on projections by questionnaire respondents.				

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

Japan accounted for the vast majority of all U.S. imports of complete high-capacity pagers during 1979-82. Imports of tone-only pagers from Japan increased irregularly during 1979-82, from * * * units in 1979 to * * * units in 1982, or by * * * percent over the 4-year period (table 8 and fig.). However, in January-June 1983, imports of tone-only pagers from Japan plummeted by * * * percent from those in the corresponding period of 1982 to only * * * units.

NEC introduced high-capacity display pagers in the U.S. market in the last half of 1981, and such imports increased from * * * units in 1981 to * * * units in 1982. The large increase in imports of high-capacity pagers from Japan in 1982 is partially attributable to NEC's imports of display pagers. NEC informed the Commission that due to Motorola's decision in 1982 to reduce prices for the Metrx and BPR display pagers, NEC has not been able to competitively market its pager products. NEC alleges that this has resulted in lost sales (to Motorola) and * * *. Thus NEC, has reduced the quantities of pager imports in 1983. Furthermore, NEC indicates its imports of its high-capacity pagers will diminish when its U.S. assembly and production operations begin in August 1983.

Table 8.--High-capacity pagers: U.S. imports for consumption from Japan, by firms and by types, 1979-82, January-June 1982, January-June 1983

Period and type	NEC	MCI <u>1/</u>	Total
1979:			
Tone-only-----	***	***	***
Display-----	***	***	***
Total-----	***	***	***
1980:			
Tone-only-----	***	***	***
Display-----	***	***	***
Total-----	***	***	***
1981:			
Tone-only-----	***	***	***
Display-----	***	***	***
Total-----	***	***	***
1982:			
Tone-only-----	***	***	***
Display-----	***	***	***
Total-----	***	***	***
January-June--			
1982:			
Tone-only-----	***	***	***
Display-----	***	***	***
Total-----	***	***	***
1983: <u>2/</u>			
Tone-only-----	***	***	***
Display-----	***	***	***
Total-----	***	***	***

1/ Based on Matsushita's export data for 1980 and 1981.

2/ Data based on projections by questionnaire respondents.

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

Matsushita began importing into the U.S. high-capacity pager market in large quantities in 1982, with large contract sales to *** large radio common carriers located in different geographic areas (see "Lost sales" section for details). However, Matsushita has decided to forgo importing the finished pagers in favor of an assembly-production operation in Puerto Rico. After * * * all Matsushita orders for high-capacity pagers will be produced in Puerto Rico by MEP. 1/ Currently, MEP's Puerto Rico plant has a capacity to produce * * * pagers per month. * * *. The Commission has been informed by * * * that it has ordered * * * display pagers (at * * * per unit) and * * * tone-only pagers (at * * * per unit) from MEP's Puerto Rico plant.

1/ This information provided by counsel for Matsushita.

The United Kingdom is the second leading exporter of high-capacity pagers to the United States. During 1979-82, Multitone has * * * its high-capacity POCSAG pagers in the United States. Industry sources informed the Commission of * * * the Multitone pagers. However, in 1983 and 1984, the United Kingdom may well become the largest net exporter of tone-only pagers to the United States, * * *. According to * * *, STC is scheduled to supply * * * tone-only pagers by * * *. As previously stated, * * *. Nevertheless, STC plans to export at least * * * pagers to the United States in 1983.

The only other known source of imports of high-capacity pagers during 1979-82 was Mexico. * * *.

High-capacity pager subassemblies.--As previously stated, Motorola has been importing receiver boards and decoder boards from Malaysia and Korea 1/ for its Metrx and Metro-Pageboy pagers since 1976. Imports of the subassemblies increased each year during 1979-82, from * * * units in 1979 to * * * units in 1982, as shown in the following tabulation (in units):

<u>Period</u>	<u>Metrx 1/</u>	<u>Metro-Pageboy 2/</u>	<u>Total</u>
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***
1982-----	***	***	***
Jan.-Mar.--			
1982-----	***	***	***
1983-----	***	***	***

1/ The Metrx pagers uses both a decoder and a receiver board.

2/ The Metro-Pageboy uses 1 board that acts as both a receiver and a decoder board.

Although the vast majority of these subassemblies are entitled to duty reduction under TSUS item 807.00, 2/ the U.S. Customs Service considers these subassemblies to be "substantially transformed (in Malaysia) into new and distinct articles of commerce" that are dutiable under the TSUS and required to be marked as a product of Malaysia under the country-of-origin marking regulations. Furthermore, on June 7, 1983, the Customs Service issued a ruling holding that the plastic case for the Metrx pager must be marked to

1/ Motorola began importing subassemblies from Korea in late 1982. Motorola expects to import decoder and receiver boards for * * * Metrx pagers from Korea in 1983.

2/ Item 807.00 of the TSUS relates only to a duty reduction for the U.S.-made components. The imported item is still classified under its proper TSUS item, but the amount of the duty is reduced by the 807 treatment.

indicate "the Malaysian origin of the paging devices." 1/ Subsequently, the Customs Service withdrew its ruling pending reconsideration of the case. 2/ The Commission reviewed Motorola's importing practices at both the Ports of * * * and * * * (see "U.S. tariff treatment" section). Pursuant to the Commission's request, Motorola submitted detailed summaries of their Customs entries during 1979-82. Motorola qualified its submission based on its * * *. * * *. In that case, Motorola designated the component * * *. With the aforementioned qualification, Motorola's import summaries reveal that the percentage of foreign component value of the imported subassemblies * * *, as shown in the following tabulation:

<u>Year</u>	<u>U.S. component value</u>	<u>Foreign component value</u>	<u>Percentage of foreign value</u>
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***
1982-----	***	***	***

In an attempt to develop comparable data on U.S. and foreign content for its Metrx and Metro-Pageboy pagers, Motorola provided data on its purchases of U.S.-made and foreign component materials used in the production of the specified pagers. Motorola also provided the value of direct labor in the United States, Malaysia, and Korea for Metrx and Metro-Pageboy production.

As shown in table 9, the percentage of U.S. value for the Metrx and Metro-Pageboy pagers * * * above * * * percent during 1979-82. * * *. 3/ * * *.

1/ June 7, 1983, ruling of the U.S. Customs Service concerning the Metrx pager is in app. G.

2/ Customs letter withdrawing the June 7, 1983, ruling, app. F.

3/ Transcript of the hearing, pp. 181 and 182, for explanation of domestic content of each item.

Table 9.--High-capacity pagers: Total component value of Motorola's Metrx and Metro-Pageboy models, by sources and by component types, 1979-82, January-March 1982, and January-March 1983

(In thousands of dollars)							
Item	1979	1980	1981	1982	January-March--		
					1982	1983	
Foreign component value							
Direct manufacturing							
labor costs 2/-----	***	***	***	***	***		***
Blank printed circuit							
boards-----	***	***	***	***	***		***
Transistors/integrated							
circuits/hybrids-----	***	***	***	***	***		***
Code plugs-----	***	***	***	***	***		***
Resistors/capacitors/							
inductors-----	***	***	***	***	***		***
Crystals-----	***	***	***	***	***		***
Speakers/sounders-----	***	***	***	***	***		***
Switches-----	***	***	***	***	***		***
Other (antennae, bat-							
teries, cases, clips,							
screws, etc.)-----	***	***	***	***	***		***
Total-----	***	***	***	***	***		***
U.S. component value							
Direct manufacturing							
labor costs 2/-----	***	***	***	***	***		***
Blank printed circuit							
boards-----	***	***	***	***	***		***
Transistors/integrated							
circuits/hybrids-----	***	***	***	***	***		***
Code plugs-----	***	***	***	***	***		***
Resistors/capacitors/							
inductors-----	***	***	***	***	***		***
Crystals-----	***	***	***	***	***		***
Speakers/sounders-----	***	***	***	***	***		***
Switches-----	***	***	***	***	***		***
Other (antennae, bat-							
teries, cases, clips,							
screws, etc.)-----	***	***	***	***	***		***
Total-----	***	***	***	***	***		***

1/ Does not include research and development costs.

2/ Direct wages and fringe benefits.

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

A detailed discussion of the direct manufacturing labor costs differences between Motorola's U.S. and foreign production plants are set forth on page A-31 of the employment section.

Employment

Employment data from 1979 through March 1983 are presented in tables 10 and 11 for production and related workers producing high-capacity pagers at Motorola's two U.S. production facilities. ^{1/} The number of workers and hours worked * * * from 1979 through January-March 1983, as did the hourly wage rate (table 10). In 1979, * * * workers spent approximately * * * hours producing high-capacity pagers at an average wage rate of * * * per hour. In 1980, such employment * * * to * * * workers and * * *, or by approximately * * * percent from the 1979 figures. In contrast, the 1980 wage rate, at * * * per hour, was approximately * * * percent * * * than that in 1979. In 1981, employment and hours worked * * * from their 1980 * * *, and in 1982 they continued * * * to * * * percent and * * * percent, respectively, above those reached in 1981. Wage rates also * * * in 1981 and 1982, reaching * * * per hour in 1982, or approximately * * * percent above the wage rate in 1980. Comparing data in January-March 1983 with those in January-March 1982, the number of workers increased by * * * percent, hours worked increased by * * * percent, but the hourly wage rate decreased slightly, by * * * percent.

Labor productivity (output per hour) generally * * * (table 11).

* * *. The Boca Raton facility, however, had no commercial shipments of the Sensar and Optrx pagers during * * * of 1983, and commercial shipments of the BPR 2000 tone-only pagers, according to Motorola, continued to be disappointing.

^{1/} Includes production of all Motorola's high-capacity pagers, including the NTT pagers.

Table 10.--Average number of U.S. production and related workers producing high-capacity radio pagers, hours worked, and wages paid, 1979-82, January-March 1982, and January-March 1983

Item	1979	1980	1981	1982	January-March--	
					1982	1983
Number of workers-----	***	***	***	***	***	***
Change from previous period-----percent--	***	***	***	***	***	***
Hours worked---thousands--	***	***	***	***	***	***
Change from previous period-----percent--	***	***	***	***	***	***
Hourly wages paid-----	***	***	***	***	***	***
Change from previous period-----percent--	***	***	***	***	***	***

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

Table 11.--U.S. labor productivity, hourly compensation, and unit labor costs in the production of high-capacity radio pagers, 1979-82, January-March 1982, and January-March 1983

Item	1979	1980	1981	1982	January-March--	
					1982	1983
Labor productivity:						
Units per hour-----	***	***	***	***	***	***
Change from previous period-----percent--	***	***	***	***	***	***
Hourly compensation: <u>1/</u>	***	***	***	***	***	***
Increase from previous period-----percent--	***	***	***	***	***	***
Labor cost per unit-----	***	***	***	***	***	***
Change from previous period-----percent--	***	***	***	***	***	***

1/ Includes wages and fringe benefits.

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

Metrx and Metro-Pageboy pagers.--Employment data from 1979 to March 1983 are presented in table 12 for production and related workers producing the Metrx and Metro-Pageboy pagers in the United States. These data * * * trends from the total employment data for all of Motorola's U.S. pager operations (shown in tables 10 and 11). The number of U.S. workers producing the Metrx and Metro-Pageboy pagers * * * from 1979 through January-March 1983, whereas the hourly wage rate * * * during this period. 1/ U.S. employment * * *, from * * * workers in 1979 to * * * workers in 1982, or by approximately * * * percent. In January-March 1983, employment, * * * workers, was approximately * * * percent * * * the level in January-March 1982. The * * * number of workers may be partially explained, according to Motorola, by Motorola's * * *.

In the production of the Metrx and Metro-Pageboy pagers, labor productivity generally * * * from 1979 through January-March 1983, and unit labor costs generally * * * during this period. Labor productivity * * *, from * * * units per hour in 1979 to * * * units per hour in 1982, or by approximately * * * percent. In January-March 1983, labor productivity, at * * * units per hour, was approximately * * * percent * * * in January-March 1982. Unit labor costs * * *, from * * * per unit in 1979 to * * * per unit in 1982, or by * * * percent. In January-March 1983, unit labor costs, at * * * per unit, were * * * percent * * * the level in January-March 1982. According to Motorola, A combination of both * * *.

Table 12.--Average number of U.S. production and related workers producing the Metrx and Metro-Pageboy pagers, wages paid, labor productivity, and unit labor costs, 1979-82, January-March 1982, and January-March 1983

Item	:	:	:	:	:	January-March--	
						1982	1983
Number of workers-----:	***	***	***	***	***	***	***
Change from previous	:	:	:	:	:	:	:
period-----percent--:	***	***	***	***	***	***	***
Hourly wages paid-----:	***	***	***	***	***	***	***
Increase from previous	:	:	:	:	:	:	:
period-----percent--:	***	***	***	***	***	***	***
Labor productivity:	:	:	:	:	:	:	:
Units per hour-----:	***	***	***	***	***	***	***
Change from previous	:	:	:	:	:	:	:
period-----percent--:	***	***	***	***	***	***	***
Unit labor costs <u>1/</u>	:	***	***	***	***	***	***
Change from previous	:	:	:	:	:	:	:
period-----percent--:	***	***	***	***	***	***	***

1/ Includes wages and fringe benefits.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. A-30

--- show for the Metrx and Metro-Pageboy pagers are hours worked, * * *.

Motorola's Metrx and Metro-Pageboy models are produced from components that are assembled in both its Malaysian facilities and, beginning in the * * * its Korean facilities. The number of production and related workers and the average wage rates for Motorola's foreign assembly of these components are presented in table 13.

Table 13.--Production and related workers and average wage rates for Motorola's foreign assembly of Metrx and Metro-Pageboy pagers, 1979-82, January-March 1982, and January-March 1983

Item	1979	1980	1981	1982	January-March--	
					1982	1983
Number of workers-----	***	***	***	***	<u>1/</u>	***
Change from previous						
period-----percent--	***	***	***	***	***	***
Hourly wages paid-----	***	***	***	***	<u>1/</u>	***
Increase from previous						<u>2/</u>
period-----percent--	***	***	***	***	***	***

1/ Not available.

2/ Calculated as a weighted average of the wage rates in Malaysia (*** per hour) and Korea (*** per hour).

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

From 1979 through March 1983, the combined number of Malaysian and Korean production and related workers assembling the Metrx and Metro-Pageboy components * * * of U.S. employees working on the Metrx and Metro-Pageboy pagers; during this period, the foreign wage rates averaged * * * than the domestic wage rates. The * * * in the number of foreign workers and the * * * in the foreign wage rates were similar to the * * *. A detailed comparison of Motorola's U.S. production workers and foreign workers for the Metrx and Metro-Pageboy pagers is set forth in table 14.

Table 14.--Motorola's Metrx and Metro-Pageboy pagers: Average number of production and related workers, total wages paid, and average annual wages in the United States and abroad, 1979-82, January-March 1982, and January-March 1983

Item	1979	1980	1981	1982	January-March--	
					1982	1983
Domestic:						
Workers employed-----	***	***	***	***	***	***
Total wages paid						
1,000 dollars 1/--	***	***	***	***	***	***
Average annual wages						
per worker---	***	***	***	***	***	***
Malaysian:						
Workers employed-----	***	***	***	***	<u>2/</u>	<u>3/</u> ***
Total wages paid						
1,000 dollars 1/--	***	***	***	***	<u>2/</u>	<u>2/</u>
Average annual wages						
per worker---	***	***	***	***	<u>2/</u>	<u>2/</u>
Korean:						
Workers employed-----	***	***	***	***	***	<u>3/</u> ***
Total wages paid						
1,000 dollars 1/	***	***	***	***	***	<u>2/</u>
Average annual wages						
per worker---	***	***	***	***	***	<u>2/</u>
Total foreign:						
Workers employed-----	***	***	***	***	<u>2/</u>	***
Total wages paid						
1,000 dollars 1/--	***	***	***	***	<u>2/</u>	<u>2/</u>
Average annual wages						
per worker---	***	***	***	***	<u>2/</u>	<u>2/</u>
Total, all sources:						
Workers employed-----	***	***	***	***	<u>2/</u>	***
Total wages paid						
1,000 dollars 1/--	***	***	***	***	<u>2/</u>	<u>2/</u>
Average annual wages						
per worker---	***	***	***	***	<u>2/</u>	<u>2/</u>

1/ Does not include fringe benefits.

2/ Not available.

3/ Annualized for full year.

Source: Compiled from data submitted in response to questionnaire of the U.S. International Trade Commission and a submission by Motorola.

NTT pagers.--Employment data from 1981 through March 1983 are presented in table 14 for production and related workers producing the NTT pager only--a new pager line produced by Motorola exclusively for export to Nippon Telephone

& Telegraph in Japan. The trends on the four categories shown in table 15 are * * *. Both the number of workers and labor productivity * * *, whereas unit labor costs * * *. The average wage rate * * *. 1/

Table 15.--Average number of U.S. production and related workers producing the NTT pager, wages paid, labor productivity, and unit labor costs, 1981, 1982, January-March 1982, and January-March 1983

Item	:	1981	:	1982	:	January-March--	
						1982	1983
Number of workers-----	:	***	:	***	:	***	***
Increase from previous	:		:		:		
period-----percent--	:	***	:	***	:	***	***
Wages paid-----per hour--	:	***	:	***	:	***	***
Change from previous	:		:		:		
period-----percent--	:	***	:	***	:	***	***
Labor productivity:	:		:		:		
Units per hour-----	:	***	:	***	:	***	***
Increase from previous	:		:		:		
period-----percent--	:	***	:	***	:	***	***
Unit labor costs: <u>1/</u>	:		:		:		
Per unit-----	:	***	:	***	:	***	***
Change from previous	:		:		:		
period-----percent--	:	***	:	***	:	***	***

1/ Includes wages and fringe benefits.

Source: Compiled from data submitted by Motorola in response to requests of U.S. International Trade Commission.

Note:--Motorola did not begin volume production of its NTT pager until * * * be a * * * to view trends.

1/ Not shown for NTT pagers are hours worked, which * * *.

Financial experience of U.S. producers

Profit-and-loss data on Motorola's entire high-capacity pager product lines (Metrix pager, BPR 2000 tone-only pagers, BPR 2000 tone-and-display pagers) and on an establishment basis were received from Motorola which accounted for over *** percent of total U.S. production of high-capacity pagers in 1982.

High-capacity pagers.--As shown in table 16, net sales by Motorola Inc. of high-capacity pagers * * * in 1979 to * * * million in 1982, after * * * million in 1980. During January-March 1983, net sales * * * percent to * * * million, compared with such sales of * * * million in the corresponding period of 1982. Sales in units (excluding intracompany and intercompany transfers of subassemblies and piece parts, * * * as a share of total sales from * * * percent in 1979 to * * * percent in 1982) * * * percent, from * * * units in 1979 to * * * in 1982. * * * of the total increase in sales of units occurred in * * *. Such sales in units * * * percent, from * * * units in January-March 1982 to * * * units in the corresponding period of 1983. The * * * in sales was primarily due to the * * * during 1979-82, and during January-March 1983, it was due to the * * *.

Motorola reported an operating * * * on its high-capacity pager operations of * * * million, or * * * percent of net sales, in 1980 and an * * * of * * * million, or * * * percent of net sales, in 1982, compared with an * * * million, or * * * percent of net sales, in 1979 and *** million, or * * * percent of net sales, in 1981. During January-March 1983, the * * * percent of net sales,

Table 16.--Profit-and-loss experience of Motorola, Inc., on its high-capacity pagers operations, 1979-82, January-March 1982 and January-March 1983

Item	1979	1980	1981	1982	January-March--	
					1982	1983
Net sales--1,000 dollars--:	***	***	***	***	***	***
Cost of goods sold--do----	***	***	***	***	***	***
Gross profit-----do----	***	***	***	***	***	***
General, selling, and administrative expenses :	:	:	:	:	:	:
1,000 dollars--:	***	***	***	***	***	***
Operating profit or (loss):	:	:	:	:	:	:
1,000 dollars--:	***	***	***	***	***	***
Interest expense----do----	***	***	***	***	***	***
Other income or (expense) :	:	:	:	:	:	:
1,000 dollars--:	***	***	***	***	***	***
Net profit or (loss) before income taxes :	:	:	:	:	:	:
1,000 dollars--:	***	***	***	***	***	***
Cash flow or (deficit) :	:	:	:	:	:	:
from operations, :	:	:	:	:	:	:
1,000 dollars--:	***	***	***	***	***	***
As a share of net sales: :	:	:	:	:	:	:
Operating profit or (loss)-----percent--:	***	***	***	***	***	***
Net profit or (loss) before income taxes :	:	:	:	:	:	:
percent--:	***	***	***	***	***	***
Gross profit-----do----	***	***	***	***	***	***
Cost of goods sold do----:	***	***	***	***	***	***
General, selling, and administrative expenses-----percent--:	***	***	***	***	***	***

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

from a * * * percent of net sales, for the corresponding period of 1982. Other income or expense mainly consists of * * *. Net profit or loss before income taxes * * * as did the operating profit or loss during the reporting period.

As a share of net sales, cost of goods sold * * * percent in 1979 to * * * percent in 1980 and from * * * percent in 1981 to * * * percent in 1982. The relationship of general, selling, and administrative expenses to net sales * * * percent in 1979 to * * * percent in 1980 and from * * * percent in 1981 to * * * percent in 1982. During January-March 1983, both cost of goods sold and general, selling, and administrative expenses, as a percentage of net sales, * * *.

Motorola attributed its 1980 * * *. In 1982, it attributed the * * *. Motorola sold about * * * percent of its domestic shipments to * * *, its largest customer, at * * * prices (p. A-20), which accounts for * * *. During January-March 1983, * * * of domestic sales were of * * *, which sold at an average selling price of * * * and accounted for * * *.

Cash flow from operations, which amounted to * * * million in 1979 and * * * million in 1981, turned into * * * million in 1980 and * * * million in 1982. The * * * from operations * * * in January-March 1982 to * * * in the corresponding period of 1983.

Metrx pagers--As shown in table 17, domestic net sales by Motorola of Metrx pagers * * * million in 1979 to * * * million in 1982, or by * * * percent. During the same period, domestic sales, by quantity, * * *. * * *. The * * * in sales was due to the combination of * * * and * * * to 1981, but in 1982, it was primarily due to a * * *. Net sales * * * percent to * * * million in January-march 1983, compared with sales of * * * million in the corresponding period of 1982. During the same period, sales in units * * *.

Operating profit on Metrx pager operations * * * million, or * * * percent of net sales, in 1979 to * * * million, or * * * percent of net sales, in 1981 after * * * percent to * * *, or * * * percent of net sales, in 1980. In 1982, the financial picture * * *; the company reported an * * * million, equivalent to * * * percent of net sales, despite * * *. The * * * by * * * percent to * * *, or * * * percent of net sales, in January-March 1983 compared with such a * * * percent of net sales, in the corresponding period of 1982. The ratio of net profit or loss before income taxes to net sales * * * the ratio of operating profit or loss to net sales during 1979-82. Such ratios showed * * * in January-March 1983 because of * * * corresponding period of 1982.

Cost of goods sold, as a share of net sales, * * * percent in 1979 to * * * percent in 1980 and then * * * percent in 1981. This ratio * * * percent in 1982. As a share of net sales, general, selling, and administrative expenses * * *, * * * percent in 1979 to * * * percent in 1980, * * * percent in 1981, and * * * percent in 1982. Both cost of goods sold and general, selling, and administrative expenses, as a share of net sales, * * * January-March 1983 compared with those in January-March 1982.

Table 17.--Profit-and-loss experience of Motorola, Inc., on its Metrx pagers operations, 1979-82, January-March 1982, and January-March 1983

Item	1979	1980	1981	1982	January-March--	
					1982	1983
Net sales--1,000 dollars--:	***	***	***	***	***	***
Cost of goods sold--do----	***	***	***	***	***	***
Gross profit-----do----	***	***	***	***	***	***
General, selling, and administrative expenses :						
1,000 dollars--:	***	***	***	***	***	***
Operating profit or (loss):						
1,000 dollars--:	***	***	***	***	***	***
Interest expense----do----	***	***	***	***	***	***
Other income or (expense) :						
1,000 dollars--:	***	***	***	***	***	***
Net profit or (loss) before income taxes :						
1,000 dollars--:	***	***	***	***	***	***
Cash flow or (deficit) from operations, :						
1,000 dollars--:	***	***	***	***	***	***
As a share of net sales:						
Operating profit or (loss)-----percent--:	***	***	***	***	***	***
Net profit or (loss) before income taxes :						
percent--:	***	***	***	***	***	***
Gross profit-----do----	***	***	***	***	***	***
Cost of goods sold do----:	***	***	***	***	***	***
General, selling, and administrative expenses-----percent--:	***	***	***	***	***	***

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

The details of general, selling, and administrative expenses are presented in table 18. * * *.

The * * * in 1982 is mainly attributed to a * * * in the average selling price, from * * * per unit in 1981 to * * * per unit in 1982. Motorola sold about * * * percent of its total * * * pagers to * * * at a * * *, which resulted mainly in * * * selling price in 1982. If Motorola had been able to sell these units to * * * at the average selling price for the remaining units sold, i.e., at * * * per unit, the company's sales revenue and, thus, profits would have * * * million. This adjustment to the reported * * * million would show an * * * million, equivalent to * * * percent of adjusted net sales in 1982.

* * *.

Table 18.--Major items contained in general, selling, and administrative expenses of Motorola, Inc., on its Metrx pager operations, 1979-82, January-March 1982, and January-March 1983

Item	January-March--											
	1979			1980			1981			1982		
	Value	Share	of net	Value	Share	of net	Value	Share	of net	Value	Share	of net
	: sales	: sales	: sales	: sales	: sales	: sales	: sales	: sales	: sales	: sales	: sales	: sales
	: 1,000	: Percent	: 1,000	: Percent	: 1,000	: Percent	: 1,000	: Percent	: 1,000	: Percent	: 1,000	: Percent
	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars
Manufacturing engineer-												
ing:												
Developmental-----	***	***	***	***	***	***	***	***	***	***	***	***
Research-----	***	***	***	***	***	***	***	***	***	***	***	***
Maintenance and												
processing (stand-												
by)-----	***	***	***	***	***	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***	***	***	***	***	***
Factory Support-----	***	***	***	***	***	***	***	***	***	***	***	***
Administration-----	***	***	***	***	***	***	***	***	***	***	***	***
Distribution-----	***	***	***	***	***	***	***	***	***	***	***	***
Property tax,												
insurance, rent,												
depreciation of												
administration areas,												
etc-----	***	***	***	***	***	***	***	***	***	***	***	***
Corporate general, sel-												
ling and administra-												
tive expenses-----	***	***	***	***	***	***	***	***	***	***	***	***
Total General, sell-												
ing, and admini-												
strative expenses--	***	***	***	***	***	***	***	***	***	***	***	***

Source: Compiled from data submitted by Motorola.

Motorola provided profit-and-loss data for its commercial domestic transactions (excluding intercompany transfers and exports) for its Metrx pagers on a per unit basis, which are presented in table 18. There are two types of Metrx pagers, VHF and UHF. The UHF Metrx pagers, which accounted for * * * percent of total sales, are sold at a price which is * * * than the price of VHF units.

As shown in table 19, average operating profit on its Metrx pager * * *.

* * * * *

Table 19.--Profit-and-loss experience of Motorola on its Metrx pagers 1979-82, January-March 1982, and January-March 1983

Item	:	1979	:	1980	:	1981	:	1982	:	January-March--	
										1982	1983
Total units sold-----	:	***	:	***	:	***	:	***	:	***	***
Average selling price	:		:		:		:		:		
per unit--	:	***	:	***	:	***	:	***	:	***	***
Average raw materials	:		:		:		:		:		
cost-----per unit--	:	***	:	***	:	***	:	***	:	***	***
Average direct labor	:		:		:		:		:		
cost-----per unit--	:	***	:	***	:	***	:	***	:	***	***
Average factory overhead	:		:		:		:		:		
costs-----per unit--	:	***	:	***	:	***	:	***	:	***	***
Average total manu-	:		:		:		:		:		
facturing cost	:		:		:		:		:		
per unit--	:	***	:	***	:	***	:	***	:	***	***
Average gross profit	:		:		:		:		:		
per unit--	:	***	:	***	:	***	:	***	:	***	***
Average general, selling,	:		:		:		:		:		
and administrative	:		:		:		:		:		
expenses-----per unit--	:	***	:	***	:	***	:	***	:	***	***
Average operating profit	:		:		:		:		:		
or (loss)-----per unit--	:	***	:	***	:	***	:	***	:	***	***

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

BPR 2000 tone-only.--Motorola started production of BPR 2000 tone-only pagers in late 1981. The company sold * * * units of BPR tone-only pagers at an average price of * * * per unit in 1982 (table 20). Motorola sustained an * * * (* * * per unit) equivalent to * * * percent * * * return on its net

sales of * * *. In January-March 1983, Motorola * * * (* * * per unit, * * *), equivalent to * * * percent of net sales of * * *. The gross profit margin * * * percent of net sales during January 1982-March 1983. The primary reason for the * * * was the * * * a share of net sales, amounting to * * * percent in 1982 and * * * percent in January-March 1983.

The details of general, selling, and administrative expenses are presented in table 21. Distribution expense * * * percent and * * * percent of net sales in 1982 and January-March 1983, respectively. During the same period, administration expenses * * * percent and * * * percent of net sales, respectively, and total manufacturing engineering expenses accounted for * * * percent and * * * percent of net sales, respectively. Almost all items comprised in general, selling, and administrative expenses * * *. The volume of sales * * * during January 1982-March 1983.

BPR 2000 tone and display.--Motorola started production of BPR 2000 tone-and-display pagers in July 1982, net sales of which amounted to * * * million in 1982 and increased to * * * million in January-March 1983 (table 20). Motorola sustained an operating * * * million (* * * per unit), or * * * percent of net sales in 1982. In January-March 1983, the * * * picture turned around from the * * * in 1982 to an * * * million, equivalent to *** percent of net sales.

Table 20.--Profit-and-loss experience of Motorola, by models, 1982 and January-March 1983

Item	BPR 2000 tone-only		BPR 2000 tone-and-display	
	1982	Jan-Mar. 1983	1982	Jan-Mar. 1983
Units sold-----	***	***	***	***
Net sales				
1,000 dollars--	***	***	***	***
Raw materials				
do----	***	***	***	***
Direct labor				
do----	***	***	***	***
Factory overhead				
do----	***	***	***	***
Total cost of				
goods sold				
do----	***	***	***	***
Gross profit				
do----	***	***	***	***
General, selling,				
and admini-				
strative				
expenses--do----	***	***	***	***
Operating profit				
or (loss)				
do----	***	***	***	***
Other income or				
expense---do----	***	***	***	***
Net profit or				
(loss) before				
income taxes				
do----	***	***	***	***
As a share of				
net sales:				
Operating pro-				
fit or (loss)				
percent--	***	***	***	***
Net profit or				
(loss) before				
income taxes				
percent--	***	***	***	***
Gross profit				
do----	***	***	***	***
Cost of goods				
sold----do----	***	***	***	***
General, sel-				
ling, and				
administrative:				
expenses				
do----	***	***	***	***

A-41

Source: Compiled from data submitted by Motorola.

Table 21.--Major items contained in general, selling, and administrative expenses of Motorola, Inc., by models, 1982 and January-March 1983

Item	BPR 2000 tone-only				BPR 2000 tone-and-display			
	1982		Jan.-Mar. 1983		1982		Jan.-Mar. 1983	
	Value : of net:		Share : of net:		Value : of net:		Share : of net:	
	sales :	Value :	sales :	Value :	sales :	Value :	sales :	Value :
	Percent :	1,000 : dollars :	Percent :	1,000 : dollars :	Percent :	1,000 : dollars :	Percent :	1,000 : dollars :
Manufacturing engineering:								
Developmental-----	***	***	***	***	***	***	***	***
Research-----	***	***	***	***	***	***	***	***
Maintenance and processing (standby)-----	***	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***	***
Factory support-----	***	***	***	***	***	***	***	***
Administration-----	***	***	***	***	***	***	***	***
Distribution-----	***	***	***	***	***	***	***	***
Property tax, insurance, rent, depreciation of administration areas, etc-----	***	***	***	***	***	***	***	***
Corporate general, selling, and administrative expenses-----	***	***	***	***	***	***	***	***
Total general, selling and administrative expenses-----	***	***	***	***	***	***	***	***
Administrative expenses-----	***	***	***	***	***	***	***	***

The primary reasons for the * * * were the * * * per unit and * * * percent in general, selling, and administrative expenses per unit, and the * * * percent in average selling price per unit. The details of general, selling, and administrative expenses (table 21) show * * * January-March 1983.

Establishment operations--Profit-and-loss data of Motorola on its establishment operations in which high-capacity pagers are produced are presented in table 22. High-capacity pager sales as a share of establishment sales accounted for about * * * percent during 1979-82 and about * * * percent in * * *. The establishment operated * * * during * * *. In 1982, the * * *. The operating * * * margin * * * percent in January-March 1983, compared with a margin of *** percent in the corresponding period of 1982.

Table 22.--Profit-and-loss experience of Motorola on its establishment operations within which high-capacity pagers are produced, 1979-82, January-March 1982, and January-March 1983

Item	:	1979	:	1980	:	1981	:	1982	:	January-March--	
										1982	1983
Net sales-----1,000 dollars--:	:	***	:	***	:	***	:	***	:	***	***
Cost of goods sold-----do----	:	***	:	***	:	***	:	***	:	***	***
Gross profit-----do----	:	***	:	***	:	***	:	***	:	***	***
General, selling, and admin-:	:		:		:		:		:		
istrative expenses	:		:		:		:		:		
1,000 dollars--:	:	***	:	***	:	***	:	***	:	***	***
Operating profit	:		:		:		:		:		
1,000 dollars--:	:	***	:	***	:	***	:	***	:	***	***
Interest expense-----do----	:	***	:	***	:	***	:	***	:	***	***
Other income or (expense)	:		:		:		:		:		
1,000 dollars--:	:	***	:	***	:	***	:	***	:	***	***
Net profit before income	:		:		:		:		:		
taxes-----1,000 dollars--:	:	***	:	***	:	***	:	***	:	***	***
Cash flow from operations	:		:		:		:		:		
1,000 dollars--:	:	***	:	***	:	***	:	***	:	***	***
As a share of net sales:	:		:		:		:		:		
Operating profit--percent--:	:	***	:	***	:	***	:	***	:	***	***
Net profit before	:		:		:		:		:		
income taxes-----do----	:	***	:	***	:	***	:	***	:	***	***
Gross profit-----do----	:	***	:	***	:	***	:	***	:	***	***
Cost of goods sold---do----	:	***	:	***	:	***	:	***	:	***	***
General, selling, and ad-:	:		:		:		:		:		
ministrative expenses	:		:		:		:		:		
percent--:	:	***	:	***	:	***	:	***	:	***	***

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

Motorola's research and development expenditures

Motorola's total research and development (R&D) expenditures on all pager products increased from * * * million in 1979 to * * * million in 1982, or by * * * percent (table 23). Total R&D expenditures on these products increased from * * * million in January-March 1982 to * * * million in January-March 1983. As a share of the total, R&D on the Metrx and the Metro-Pageboy has * * * percent in 1979 to * * * percent in 1982 and * * * percent in January-March 1983. R&D for Motorola's newest lines of pagers (BPR 2000 line, Sensar, and Optrx) * * * during 1979-82, from * * * million (* * * percent of the total) in 1979 to * * * million (* * * percent of the total) in 1982 or by * * * percent, and from * * * in January-March 1982 to * * * in January-March 1983.

Table 23.--Motorola's research and development expenditures, by types,
1979-82 January-March 1982, and January-March 1983

(In thousands of dollars)							
Type	1979	1980	1981	1982	January-March--		
					1982	1983	
Mature products:							
Metro-Pageboy----	***	***	***	***	***	***	***
Metrx-----	***	***	***	***	***	***	***
Subtotal-----	***	***	***	***	***	***	***
New products:							
Sensar-----	***	***	***	***	***	***	***
Optrx-----	***	***	***	***	***	***	***
BPR-2000-----	***	***	***	***	***	***	***
Subtotal-----	***	***	***	***	***	***	***
Unannounced							
products-----	***	***	***	***	***	***	***
Nonspecific							
research-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***

Motorola advised the Commission that because of the LTFV sales of Japanese tone-only pagers, Motorola * * * its R&D expenditures for the BPR 2000 tone-only pagers. Although the BPR tone-and-display pager has been successfully introduced into the U.S. market, the BPR tone-only pager has been * * *. Motorola has had to rely on the Metrx tone-only pager to maintain its market share, rather than switch to the more advanced BPR tone-only model.

As a share of total pager net sales, Motorola R&D expenditures declined from *** percent in 1980 to *** percent in 1981 and then declined again to *** percent in 1982. However as shown in the following tabulation Motorola's ratio of R&D expenditures to net sales * * * than that for the television and computer industries (in percent):

	:	:	:	:	Janaury-March--	
	:	:	:	:	:	:
	:	1980	:	1981	:	1982
	:	:	:	:	:	1983
	:	:	:	:	:	:
Motorola:	:	:	:	:	:	:
Metrx pagers-----	:	***	:	***	:	***
All pagers-----	:	***	:	***	:	***
Television industry-----	:	***	:	***	:	***
Computer industry-----	:	6.4	:	6.4	:	1/
	:	:	:	:	:	:

1/ Not available.

Consideration of the Causal Relationship Between Alleged LTFV Imports and the Alleged Injury

Market penetration of alleged LTFV imports

U.S. imports of all high-capacity pagers from Japan captured an increasing share of an expanding market during the period under review. Such imports increased as a share of apparent consumption, from * * * percent in 1979 to * * * percent in 1980, and to * * * percent in 1981. In 1982, these imports increased their share of the U.S market to * * * percent, which was almost double the market share held by imports from Japan at the start of

the 1979-82 period (table 24). However, in January-June 1983, the market share of the Japanese imports declined to * * * percent, compared with * * * percent in the corresponding period of 1982.

Table 24.--High-capacity pagers: U.S. producers' domestic shipments, imports for consumption from Japan, by firms, total imports from Japan, and apparent consumption, 1979-82, January-June 1982, and January-June 1983

(In units)							
Period and type	Domestic ship-ments	NEC imports	MCI 1/ imports	Imports from Japan	All imports	Apparent consumption	
1979:							
Tone-only-----	***	***	***	***	***	***	***
Display-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***
1980:							
Tone-only-----	***	***	***	***	***	***	***
Display-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	<u>2/</u> ***	<u>2/</u> ***	***
1981:							
Tone-only-----	***	***	***	***	***	***	***
Display-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	<u>3/</u> ***	<u>3/</u> ***	***
1982:							
Tone-only-----	***	***	***	***	***	***	***
Display-----	***	***	***	***	***	***	***
Total-----	***	***	***	***	<u>4/</u> ***	<u>3/</u> ***	***
January-June-----							
1982:							
Tone-only---	***	***	***	***	***	***	***
Display---	***	***	***	***	***	***	***
Total-----	***	***	***	***	<u>5/</u> ***	<u>5/</u> ***	***
January-June-----							
1983: <u>6/</u>							
Tone-only---	***	***	***	***	***	***	***
Display---	***	***	***	***	***	***	***
Total-----	***	***	***	***	<u>7/</u> ***	<u>7/</u> ***	***

1/ Based on MCI export data for 1980 and 1981.

2/ Includes * * * units of display-and-voice pagers from the United Kingdom.

3/ Includes * * * units of display-and-voice pagers from the United Kingdom.

4/ Includes * * * units of display-and-voice pagers from the United Kingdom.

5/ Includes * * * units of display-and-voice pagers from the United Kingdom.

6/ Data based on projection by questionnaire respondents.

7/ Includes * * * units of display-and-voice pagers from the United Kingdom.

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

Table 25.--High-capacity pagers: Ratio of U.S. imports from Japan and all sources to consumption 1979-82, January-June 1982, and January-June 1983

(In percent)					
Period and product	NEC	MCI	Total Japan	Total imports	
1979:					
Tone-only-----	***	***	***	***	
Display-----	***	***	***	***	
Total-----	***	***	***	***	
1980:					
Tone-only-----	***	***	***	***	
Display-----	***	***	***	***	
Total-----	***	***	***	***	
1981:					
Tone-only-----	***	***	***	***	
Display-----	***	***	***	***	
Total-----	***	***	***	***	
1982:					
Tone-only-----	***	***	***	***	
Display-----	***	***	***	***	
Total-----	***	***	***	***	
January-June--					
1982:					
Tone-only-----	***	***	***	***	
Display-----	***	***	***	***	
Total-----	***	***	***	***	
1983:					
Tone-only-----	***	***	***	***	
Display-----	***	***	***	***	
Total-----	***	***	***	***	

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

Market penetration of Japanese high-capacity, tone-only pagers increased from * * * percent in 1979 to * * * percent in 1980 and then declined over the next 2 years, to * * * percent in 1982 and * * * percent in January-June 1983. The decline in market share held by the Japanese tone-only pager was primarily due to NEC's decision to concentrate on the marketing of the tone-and-display pagers in late 1981 and 1982 and Matsushita's almost total withdrawal from the tone-only market. In the absence of any competing U.S.-produced display pager,

NEC captured a * * *-percent market share of the display pager market in 1981. However, NEC's share of the display pager market declined to * * * percent in 1982, as Motorola successfully introduced its BPR tone and display pager. In January-June 1983, NEC's market share of the display pager market plummeted to * * * percent, compared with its * * *-percent market share in the corresponding period of 1982.

Threat of injury

Matsushita's production plant where high-capacity pagers are produced is * * *. Matsushita's domestic production of the * * * pagers for fiscal years 1980-82 (August-July) was as follows:

<u>Period</u>	<u>Quantity</u>
August 1979-July 1980-----	***
August 1980-July 1981-----	***
August 1981-July 1982-----	***

Matsushita estimates its current production capacity at * * * units. Thus, the plant is presently * * *. Production of Matsushita's POCSAG pagers for export to the United States and other countries * * *. Matsushita's export shipments (including exports to the United States) of POCSAG pagers was as follows:

<u>Period</u>	<u>Quantity</u>
August 1979-July 1980-----	***
August 1980-July 1981-----	***
August 1981-July 1982-----	***

Besides the United States, Matsushita's major customers for pager exports are * * *. In 1983, Matsushita began an assembly-production operation for high-capacity pagers in Puerto Rico by Matsushita Electric of Puerto Rico. MEP currently * * * and assembles the pagers at the Puerto Rico plant. All of the components used in the MEP pagers * * *.

MEP expects to shift over to a total production facility by * * *. Besides building the receiver and decoder boards in Puerto Rico (* * *), MEP will begin obtaining the majority of the pager components in the United States. Currently, MEP estimates its production capacity at * * * units per month. However, the production capacity * * *.

NEC Corp. of Japan 1/ has * * * its pager production capacity, from * * * units in 1980 to * * * units in 1982. Production (shipments) of high- and low-capacity pagers has also * * * over the 3-year period, from * * * units in 1980 to * * * units in 1982. NEC's capacity utilization for 1982 was * * * percent (table 26).

1/ NEC Corp. data are based on an April-March fiscal year.

Table 26.--High-and-low capacity pagers: NEC Corp's production, capacity, and capacity utilization for production facilities in Japan, fiscal years 1980-82

Fiscal year <u>1/</u>	Production (shipments)	Capacity	Capacity utilization -----Percent-----
1980-----	***	***	***
1981-----	***	***	***
1982-----	***	***	***

1/ Apr. 1-Mar 30.

Source: Compiled from a confidential submission by NEC, America Inc.

NEC's shipments of high-capacity pagers * * * each year during 1980-82, from * * * units in 1980 to * * * units in 1982. * * * NEC's shipments of low-capacity tone-and-voice pagers * * * units in 1980 to * * * units in 1981, but then * * * units in 1982. As shown in the following tabulation, the United States has been NEC's largest export market for high- and low-capacity pagers:

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Domestic Japanese			
shipments for NTT-----	***	***	***
Exports to the U.S.-----	***	***	***
Exports to other			
countries-----	***	***	***

As previously stated, NEC America will be assuming its parent company's high-capacity pager production for North America in August 1983. Like Matsushita, NEC America will start with an assembly operation and evolve into a complete production operation.

Prices

A single U.S. producer, Motorola, and two Japanese producers, NEC and Matsushita Communication Industrial, Corp. (Matsushita), collectively supplied over * * * percent of the U.S. market for high-capacity pagers in 1982. Motorola, with approximately * * * percent of the U.S. market, accounted for * * * portion of this market; whereas NEC with a * * * percent share and Matsushita with a * * * percent share were * * *. * * *.

Questionnaire price data.--The Commission asked U.S. producers and importers for their net f.o.b. and net delivered selling prices on sales of pagers to their largest customers for three types of pagers, for three types

of customers, by quarters, for January 1980-March 1983. The three specified types of pagers were (1) those most similar to Motorola's Metrx high-capacity pagers, (2) those most similar to Motorola's Metro-Pageboy high-capacity pagers (executive models), and (3) those most similar to Motorola's BPR 2000 high-capacity display pagers. The Metrx and Metro-Pageboy models are tone-only pagers. 1/ The three specified types of customers were (1) radio common carrier customers, (2) telephone company customers, and (3) noncarrier customers. Although the same list prices were available to each of these three types of customers, different discount structures generally resulted in three different sets of net selling prices.

The Commission received pricing information directly from Motorola and NEC, America (NEC Corp., U.S. subsidiary), but Matsushita's prices were developed from imports reported by * * *, Gencom, and Industrial Communication Systems (ICS), and from sales reported by Panasonic, a U.S. subsidiary of Matsushita. Other than for a brief period from October 1982 through January 1983, when Panasonic imported some of Matsushita pagers for resale in the United States, Matsushita has been selling its Japanese-produced pagers directly from Japan to its U.S. customers. * * *.

Motorola, NEC America, and Matsushita all reported f.o.b. selling prices, but only Matsushita reported delivered selling prices. As a result, only f.o.b. prices are compared and discussed. Although f.o.b. price data are generally used only for comparing price trends, in some instances, like pagers, where inland freight costs are minor, f.o.b. prices may also be used in comparing price levels between the domestic and imported products. Motorola, NEC America, and ICS (a major purchaser of pagers) stated in telephone conversations with the Commission staff that inland freight charges are insignificant and do not affect purchasers' decisions. 2/

Two domestic producers, Motorola and MEP, and four Japanese importers, NEC America, Matsushita, ICS, and Gencom, reported-price data, but not necessarily for every type of pager, for every type of customer, or for every quarter requested. The weighted-average net f.o.b. selling prices and average margins of underselling are presented in tables 27 through 29 and figures 8 and 9. 3/ These prices reflect sales of comparable high-capacity radio pagers that are representative of the competition between the domestic and Japanese

1/ The Metro-Pageboy model is functionally interchangeable with the Metrx model, but the Metro-Pageboy model lists for approximately * * * more because of more complex components and sleeker design.

2/ Telephone conversations from May 24-27, 1983, * * *.

3/ Figs. E7 and E8.

products. 1/ Table 27 shows reported prices of domestic and imported pagers most like Motorola's Metrx model sold to RCC customers; table 28 shows reported prices of domestic and imported pagers most like Motorola's Metrx model sold to telephone company customers and to noncarrier customers; and table 29 shows reported prices of domestic and imported pagers most like Motorola's BPR 2000 display model sold to RCC's. Prices of only domestic pagers were reported for the Metro-Pageboy model and for the BPR 2000 display pagers sold to telephone company customers. No prices, either domestic or imported, were reported for display pagers sold to noncarrier customers.

Metrx-like pagers sold to RCC's.--Average selling prices for both the domestic and Japanese products were virtually unchanged throughout 1980 and January-October 1981. Motorola's models sold for approximately * * * per unit, and NEC America's models sold for approximately * * * per unit. Average margins of * * * by NEC America ranged between * * * and * * * percent during this period. Concurrent with Matsushita's reported late 1981 entry into the U.S. market, Motorola's average selling price * * * approximately * * * percent in October-December 1981, to a weighted-average price of * * * per unit. As shown in table 27, NEC America's average selling price remained firm at approximately * * * per unit during this period, resulting in an average margin of * * * by NEC America of approximately * * * percent.

1/ To obtain product comparability, selling price comparisons were made between (a) the Motorola Metrx, the NEC PR-405B5-2A, PR-150B5-4A, and PR-150D2-1A, and the Matsushita EK-2068EA and (b) between the Motorola BPR 2000 display, the NEC R3D3-1A and the R3D3-1B, and the Matsushita EK-2069EA. Although these pagers represented standard models, in a few instances, reported prices included extra features like UHF, silent alert functions, or extended warranties. Reported prices involving one or more of these options were generally excluded, or, if the price of the option was given, the reported price was adjusted downward to reflect the price of the basic model.

Table 27.--Tone-only, high-capacity pagers (Metrix model) produced in the United States and imported from Japan: Weighted-average net selling prices, 1/ quantities sold, and average margins of underselling for pagers sold to RCC's, by principal suppliers, and by quarters, January 1980-March 1983

Period	Domestic						Japanese					
	Motorola			NEC America			Matsushita			Total		
	Price	Quan- tity 2/	Price	Quan- tity 2/	Price	Quan- tity 2/	Price	Quan- tity 2/	Price	Quan- tity 2/	Price	Quan- tity 2/
1980:												
January-March-----	***	***	***	***	3/	3/	***	3/	***	***	***	***
April-June-----	***	***	***	***	3/	3/	***	3/	***	***	***	***
July-September-----	***	***	***	***	3/	3/	***	3/	***	***	***	***
October-December-----	***	4/	***	***	3/	3/	***	3/	***	***	***	***
1981:												
January-March-----	***	***	***	***	3/	3/	***	3/	***	***	***	***
April-June-----	***	***	***	***	3/	3/	***	3/	***	***	***	***
July-September-----	***	4/	***	***	3/	3/	***	3/	***	***	***	***
October-December-----	***	4/	***	***	3/	3/	***	3/	***	***	***	***
1982:												
January-March-----	***	***	***	***	***	***	***	***	***	***	***	***
April-June-----	***	***	***	***	***	5/	***	5/	***	***	***	***
July-September-----	***	***	***	***	***	5/	***	5/	***	***	***	***
October-December-----	***	***	***	***	***	5/	***	5/	***	***	***	***
1983:												
January-March-----	***	6/	***	***	***	***	***	***	***	***	***	***
Average margins of underselling or (overselling) 7/												
	NEC			Matsushita			Total			Percent		
1980:												
January-March-----	***	***	***	***	***	***	***	***	***	***	***	***
April-June-----	***	***	***	***	***	***	***	***	***	***	***	***
July-September-----	***	***	***	***	***	***	***	***	***	***	***	***
October-December-----	***	***	***	***	***	***	***	***	***	***	***	***
1981:												
January-March-----	***	***	***	***	***	***	***	***	***	***	***	***
April-June-----	***	***	***	***	***	***	***	***	***	***	***	***
July-September-----	***	***	***	***	***	***	***	***	***	***	***	***
October-December-----	***	***	***	***	***	***	***	***	***	***	***	***

See footnotes at end of table.

Table 27.--Tone-only, high-capacity pagers (Metrax model) produced in the United States and imported from Japan: Weighted-average net selling prices, 1/ quantities sold and average margins of underselling for pagers sold to RCC's, by principal suppliers, and by quarters, January 1980-March 1983--Continued

	Average margins of underselling or (overselling) 7/		
	NEC America	Matsushita	Total
	Percent		
1982:			
January-March-----	***	***	***
April-June-----	***	***	***
July-September-----	***	***	***
October-December-----	***	***	***
1983:			
January-March-----	***	***	***

1/ Weighted-average selling prices were calculated from reported selling prices to largest customers.
2/ Number of pagers reported sold to largest customers.
3/ No sales to largest customers.
4/ An indeterminate, but small, number of these units were sold by Motorola with the UHF feature, valued at * * * per unit. The inclusion of these units does not significantly affect Motorola's weighted-average selling price or the margins of underselling.
5/ An indeterminate, but small, number of these units were sold by Matsushita with a silent alert feature, valued at approximately * * * per unit. The inclusion of these units does not significantly affect Matsushita's weighted-average selling price or the margins of underselling.
6/ Of these * * * units reported sold by Motorola, * * * units originally included the UHF feature, valued at * * * per unit. The price of these latter units was decreased by * * * per unit to obtain comparable price data.
7/ Calculated as a percentage of the domestic producer's price.

Note.--Matsushita sold its tone-only, Metrax-like pagers directly to GENCOM and ICS--both RCC's. * * *.

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

In January-March 1982, coinciding with Matsushita's first reported shipments of pagers, at * * * per unit, Motorola's average price * * * percent, but NEC America's average price * * * at approximately * * * per unit. In April-June 1982, Motorola's average price fell another ** percent, and NEC America's average price * * * percent; Matsushita's average price * * * percent. Thereafter, Motorola's average price * * * per unit by January-March 1983; NEC America's average price * * *, to * * * per unit by January-March 1983; and Matsushita's average price * * * per unit in October-December 1982 before * * * per unit in January-March 1983. During this period, from January-March 1982 through January-March 1983, average margins of * * * by NEC America * * *, from approximately * * * percent to approximately * * * percent; the average margins of * * * by Matsushita, approximately * * * percent in January-March 1982, * * * percent in July-September 1982. Average margins of * * * by Matsushita then * * * percent in October-December 1982 before turning to * * * percent in January-March 1983.

Metrx-like pagers sold to telephone company customers.--Motorola's average price (the only reporting U.S. producer) fluctuated from January-March 1980 through October-December 1982 (* * *). After * * * per unit in January-March 1980 to * * * per unit April-June 1980, Motorola's average price * * * for the quarter reported, to * * * per unit by July-September 1982.

Table 28.--Tone-only, high-capacity pagers (Metrx model) produced in the United States and imported from Japan: Weighted-average net selling prices, ^{1/} quantities sold, and average margins of underselling for pagers sold to telephone company and to noncarrier customers, by principal suppliers and by quarters, January 1980-March 1983

Period	Sold to telephone company customers				Average margins of underselling or (overselling) <u>2/</u> by NEC
	Motorola		NEC America		
	Price	Quantity <u>3/</u>	Price	Quantity <u>3/</u>	
1980:					
January-March-----	***	***	***	***	***
April-June-----	***	***	***	***	***
July-September-----	<u>4/</u>	<u>4/</u>	***	***	***
October-December-----	<u>4/</u>	<u>4/</u>	***	***	***
1981:					
January-March-----	<u>4/</u>	<u>4/</u>	***	***	***
April-June-----	***	***	***	***	***
July-September-----	***	***	***	***	***
October-December-----	<u>4/</u>	<u>4/</u>	***	***	***
1982:					
January-March-----	***	***	<u>4/</u>	<u>4/</u>	***
April-June-----	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	-
July-September-----	***	***	***	***	***
October-December-----	***	***	***	***	***
1983:					
January-March-----	<u>4/</u>	<u>4/</u>	***	***	***
	Sold to noncarrier customers				
1980:					
January-March-----	***	***	***	***	***
April-June-----	***	***	***	***	***
July-September-----	***	***	***	***	***
October-December-----	***	***	***	***	***
1981:					
January-March-----	***	***	***	***	***
April-June-----	***	***	***	***	***
July-September-----	***	***	***	***	***
October-December-----	***	***	***	***	***

See footnotes at end of table.

Table 28.--Tone-only, high-capacity pagers (Metrx model) produced in the United States and imported from Japan: Weighted-average net selling prices, 1/ quantities sold, and average margins of underselling for pagers sold to telephone company and to noncarrier customers, by principal suppliers and by quarters, January 1980-March 1983--Continued

Period	Sold to noncarrier customers					
	Motorola		NEC America		Average margin of underselling or (overselling) 2/ by NEC America	
	Price	Quantity 3/	Price	Quantity 3/		
					Percent	
1982:						
January-March-----	***	***	***	***		***
April-June-----	***	***	***	***		***
July-September-----	***	***	***	***		***
October-December-----	***	***	***	***		***
1983:						
January-March-----	***	***	***	***		***

1/ Weighted-average selling prices were calculated from reported selling prices to largest customers.

2/ Calculated as a percentage of the domestic producer's selling price.

3/ Number of pagers reported sold to largest customers.

4/ No sales to largest customers.

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

Motorola's average price * * * per unit in October-December 1982. NEC America's average price (the only reporting Japanese importer) * * * per unit in the January-March 1980 to * * * per unit by July-September 1982, and then * * * per unit through January-March 1983. In the six quarters where comparisons between the domestic and Japanese products were possible, NEC's average price * * * that of Motorola by margins ranging from approximately * * * percent.

Metrx-like pagers sold to noncarrier customers.--From 1980 through 1982, Motorola's average price (the only reporting U.S. producer) remained * * * per unit, but in January-March 1983, it * * * per unit. In contrast, NEC America's average price (the only reporting Japanese importer) * * * more than the domestic price, but without any clear trend. Of note, however, are NEC America's * * * in July-September 1982 and January-March 1983--to * * * per unit in both periods. NEC America stated in the questionnaire that * * *. In both instances, Motorola's alleged price quote was * * * per unit.

NEC America * * * Motorola from January 1980 through March 1983. Average margins of * * * generally ranged from approximately * * * percent. * * *, when NEC America claimed it was forced to lower its price to remain competitive with Motorola. In these two instances, average margins * * *.

Metro-Pageboy.---Only Motorola reported prices for this product category; as a result, the reported prices are not shown in the tables, but are discussed briefly here. On the basis of the number of Metro-Pageboy units that Motorola reported, those sold to telephone company customers are * * *, accounting for approximately * * * percent of the total; those sold to RCC's * * * accounting for approximately * * * percent of the total, and those sold to noncarrier customers are * * *, accounting for less than * * * percent of the total. From January 1980 through March 1983, Motorola's prices of the Metro-Pageboy model sold to telephone companies averaged * * * per unit, prices to radio common carrier averaged * * * per unit, and prices to noncarrier customers averaged * * * per unit.

Display pagers sold to RCC's.---Two domestic producers, Motorola and MEP, reported price data beginning in July-September 1982 (reported by Motorola) and extending through January-March 1983. No previous sales were reported by either producer. Two Japanese suppliers, NEC America and Matsushita, reported price data beginning in April-June 1981 (reported by NEC America) and extending through the January-March 1983. NEC America has supplied display pagers to the U.S. market, whereas the other three respondents reported initial sales only in July-December 1982.

Although NEC America's average price * * * per unit from January 1981 through March 1983, Motorola's average price * * * per unit in July-September 1982 to * * * per unit in October-December 1982, but then * * * per unit in January-March 1983. MEP, the other reporting domestic producer, reported a price of * * * per unit in January-March 1983. (This latter price was a transfer price to Panasonic, Matsushita's U.S. subsidiary headquartered in New Jersey.) The other reporting Japanese supplier, Matsushita (the parent company of MEP), reported * * * per unit in October-December 1982 and * * * per unit in January-March 1983.

For the three quarters where comparisons were possible, average prices of the Japanese products * * * those of the domestic products. In July-September 1982, NEC America's average price * * * Motorola's average price * * *. In October-December 1982, NEC's average

Table 29.--Display pagers (BPR 2000 model) produced in the United States and imported from Japan: Weighted average net selling prices, 1/ quantities sold, and average margins of underselling for pagers sold to RCC's, by principal suppliers and by quarters, January 1981-March 1983

Period	Domestic					
	Motorola			MEP		
	Price	Quantity 2/	Price	Quantity 2/	Price	Quantity 2/
1981:						
January-March	3/		3/	3/	3/	3/
April-June	3/	3/	3/	3/	3/	3/
July-September	3/	3/	3/	3/	3/	3/
October-December	3/	3/	3/	3/	3/	3/
1982:						
January-March	3/	3/	3/	3/	3/	3/
April-June	3/	3/	3/	3/	3/	3/
July-September	***	4/	***	3/	***	***
October-December	***	***	3/	3/	***	***
1983:						
January-March	***	5/	***	***	***	***
Japanese						
	NEC America			Matsushita		
						Total
1981:						
January-March	3/	3/	3/	3/	3/	3/
April-June	***	***	3/	3/	***	***
July-September	***	***	3/	3/	***	***
October-December	***	***	3/	3/	***	***
1982:						
January-March	***	***	3/	3/	***	***
April-June	***	***	3/	3/	***	***
July-September	***	***	3/	3/	***	***
October-December	***	***	3/	3/	***	***
1983:						
January-March	***	***	***	***	***	***

See footnotes at end of table.

Table 29.--Display pagers (BPR 2000 model) produced in the United States and imported from Japan: Weighted average net selling prices, 1/ quantities sold, and average margins of underselling for pagers sold to RCC's, by principal suppliers and by quarters, January 1981-March 1983--Continued

	Average margins of underselling or (overselling) 6/		
	NEC America	Matsushita	Total
	Percent		
1981:			
January-March-----	-	-	-
April-June-----	-	-	-
July-September-----	-	-	-
October-December-----	-	-	-
1982:			
January-March-----	-	-	-
April-June-----	-	-	-
July-September-----	***	-	***
October-December-----	***	-	***
1983:			
January-March-----	***	***	***

1/ Weighted-average selling prices were calculated from reported selling prices to largest customers.

2/ Number of pagers reported sold to largest customers.

3/ No sales to largest customers.

4/ Of the * * * units reported sold by Motorola, * * * units included the * * * optional * * *. The price of these latter units was * * * per unit to obtain comparable price data.

5/ Of the * * * units reported sold by Motorola, * * * units included the * * * optional * * *. The price of these latter units was * * * per unit to obtain comparable price data.

6/ Calculated as a percentage of the domestic producers' total selling prices.

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

Note.--Matsushita began assembling high-capacity display pagers in Puerto Rico in January-March 1983 under the name of Matsushita Electric of Puerto Rico (MEP). From October 1982 through January 1983, * * * to Panasonic Industrial Co. (headquartered in New Jersey), a subsidiary of Matsushita. As a result, the reported domestic selling prices shown in the table for MEP represent transfer prices, rather than an arms-length market price.

Selling prices of the imported Japanese display pager, shown in the table for Matsushita, are for sales reported by Panasonic, a wholly owned subsidiary of Matsushita.

price * * * Motorola's average price by * * * percent, and Matsushita's average price * * * that of Motorola by approximately * * * percent. In January-March 1983, NEC's average price * * *; Matsushita * * * the two domestic producers by an average margin of approximately * * * percent.

Display pagers sold to telephone company customers.--Only Motorola reported prices for this product category, but only for October-December 1982 and January-March 1983. In the first period, Motorola reported * * * units sold at a net selling price of * * * per unit, and in the second period, * * * units at * * * per unit. Most of the * * * units were sold with * * *.

Appreciation of the U.S. dollar

The recent strength of the U.S. dollar against the Japanese yen may have enhanced the price competitiveness of Japanese-produced pagers compared with U.S.-produced pagers. The prices of pagers imported from Japan, however, may not have fallen as much as the percentage devaluation of the yen against the dollar. Two factors may largely account for this. First, NEC America imports Japanese pagers from its parent producing company in Japan at prices quoted in U.S. dollars. * * *. 1/ Second, U.S. importers may choose to increase their profitability by lowering their dollar prices by less than the yen devaluation would allow. Bypassing-through only part of the cost reduction to consumers, they could increase their per unit profit and also increase their sales volume if sufficient demand existed.

Although the yen devaluation may not have directly reduced U.S. selling prices of the Japanese pagers, it may still have enhanced the competitiveness of the imported product by permitting the Japanese producers to maintain stable U.S. selling prices. Increased revenue (per unit of sales) from the yen devaluation could have compensated the Japanese producers for possible increased costs that were not recovered by higher selling prices. Domestic producers, on the other hand, would be forced to meet any increased costs through higher selling prices, lower profits, or a combination of these alternatives.

Table 30 presents an index of the real exchange rate between the U.S. dollar and the Japanese yen from January-March 1981 through January-March 1983. 2/ When the index is less than 100, the foreign currency has devalued against the dollar from the base period. Devaluation of the foreign currency tends to make the foreign product more competitive.

1/ Telephone conversation of May 21, 1983, between Mr. Benedick of the Commission and * * *.

2/ Real exchange rates are analyzed, instead of nominal exchange-rates, to more accurately show the effect of exchange-rate changes on international competitiveness. A domestic inflation rate greater than the inflation rate of a trading partner increases the home currency price of the traded product, thereby offsetting (at least partially) a lower foreign currency price resulting from devaluation of the home currency. The index of a real exchange rate provides a combined measure of changes in the rate of inflation between the two countries and changes in the nominal exchange rate.

Table 30.--Index of the real exchange rate between the Japanese yen and the U.S. dollar, by quarters, January 1981-March 1983 ^{1/}

(January-March 1981=100)	
Period	Japanese yen
1981:	
January-March-----	100
April-June-----	92
July-September-----	88
October-December-----	91
1982:	
January-March-----	87
April-June-----	83
July-September-----	79
October-December-----	78
1983:	
January-March-----	85

^{1/} The index was calculated from period average exchange rates that were expressed in U.S. dollars per unit of foreign currency.

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

Between January-March 1981 and January-March 1983, the Japanese yen devalued against the U.S. dollar by approximately 15 percent. This percentage change indicates the maximum amount the foreign producers could have reduced the dollar prices of their pagers while keeping their profit margins constant, assuming they had no dollar-denominated costs.

Supplier Competition

Questionnaire responses.--According to Motorola's * * *, Matsushita entered the U.S. high-capacity pager market in late 1981 by booking orders with competing tone-only pagers priced below Motorola's established prices. According to net selling prices reported on a shipment basis by the principal suppliers, Matsushita * * * Metrx-like pagers in late 1981 at prices of * * * per unit * * * the then-current prices of Motorola or NEC America. The following chronology of discounts and list price changes, ^{1/} reported by Motorola and NEC America in their questionnaire responses, indicate that Matsushita's * * * first provoked Motorola to reduce its prices; then, the low prices of both Matsushita and Motorola led NEC America to reduce its prices.

^{1/} * * *.

(1) October 1981--Aware of Matsushita's low prices, Motorola reduced its price to its * * *, * * *, which it felt might be lost to low pricing from Matsushita. In this instance, Motorola reported lowering its normally discounted price of the Metrx pager to * * * by * * * percent, or from * * * to * * * per unit.

(2) January 1982--Motorola reported that it met Matsushita's low prices with * * * to all customers on the Metrx and Metro-Pageboy pagers, thereby lowering Motorola's established prices (* * *) of these pagers by an average of * * * percent.

(3) February 1982--* * *, * * * agreed to purchase * * * display pagers from Matsushita at prices ranging from * * * per unit. Aware of Matsushita's low prices, 1/ Motorola reduced its normally discounted price on its new BPR 2000 display pager * * * by approximately * * * per unit to * * * per unit, and obtained an order for * * * units for delivery in the last half of 1982. 2/

(4) April-June 1982--NEC America reduced its prices to retain * * *, which it felt might be lost to low pricing from Motorola. In this instance, NEC America reported lowering its normally discounted prices of its Metrx-like pagers to this customer by an average of * * * per unit for the VHF model and from * * * per unit for the UHF model. * * * had reportedly advised NEC America that, unless it lowered its normal prices this customer would buy Motorola's competing Metrx pagers at * * * per unit for the VHF model and * * * per unit for the UHF model.

(5) July-September 1982--NEC America again reduced its price to * * *, which it felt might be lost to low pricing from Motorola. In this instance, NEC America reported lowering its list prices of one of its Metrx-like models to this customer by * * * per unit. 3/ * * * had reportedly advised NEC America that unless it lowered its normal prices, this customer would buy Motorola's competing Metrx pager at * * * per unit.

(6) November 1982--To keep prices of the BPR 2000 tone-only models in line with the reduced prices of its Metrx pagers, Motorola announced a new policy of increased discounts and credits, and decreased list prices to all customers on its BPR 2000 tone-only models, thereby lowering its established prices of these pagers by an average * * * percent. On its Metrx models, however, Motorola announced increased list prices to all customers, which raised its previously reduced prices of these pagers by an average of * * *.

1/ Transcript of the hearing, pp. 158, 196-197, and responses to the Commission's investigator's questions during a visit to Motorola facilities March 14-18, 1983.

2/ On * * *, however, * * * cancelled the * * * display pager order because of * * *.

3/ NEC America generally sells its pagers * * *.

(7) January-March 1983--NEC America reduced its price * * *, which it felt was again threatened by low pricing from Motorola. In this instance, NEC America reported lowering its list prices of two of its Metrx-like models to this customer by an average * * * per unit on a standard model and from * * * per unit to * * * per unit on the model * * *. * * * had again reportedly advised NEC America that unless it lowered its normal prices, this customer would buy Motorola's competing Metrx pagers at * * * and * * * per unit, respectively.

Purchasers' views on supplier competition.--Conversations with purchasers of high-capacity radio pagers also provided useful insights into the vigor of competition among the three principal suppliers of pagers to the U.S. market--Motorola, NEC America, and Matsushita. 1/ * * *, stated that he prefers NEC America's VHF 5-tone pager, because it has a lower failure rate than the competing Motorola pager. * * * of these NEC pagers at a price of * * * per unit instead of the Motorola 5-tone Metrx, which was priced at * * * per unit. But in * * *, Motorola * * * the 5-tone Metrx at * * * per unit * * *. Because NEC America would not drop the price of their competing model, * * *) and ordered the Motorola product. * * * felt that Matsushita's low prices led to Motorola's low price offer. * * * mentioned that a secondary reason for switching to the 5-tone Metrx was that Motorola-arranged * * *, whereas NEC America would not * * *. According to * * *, by meeting Matsushita's low prices, Motorola * * * NEC America on competing 5-tone pagers * * * per unit in * * *, * * * to approximately * * * per unit; in * * * per unit. This * * * by Motorola resulted from the Motorola response to Matsushita's low prices in the face of a stable NEC America price, the latter, * * *, reportedly influenced by the current Commission investigation.

* * * purchased VHF 5-tone pagers from Motorola in * * * instead of the competing NEC America pager, because again the Motorola product was priced less than the Japanese product. * * * also canceled an order * * * display pagers from NEC America in * * *, because * * *. * * * feels that the Motorola display pager is superior to that of NEC America.

* * * stated that in * * *, he bought * * * display pagers from NEC America and * * * display pagers from Motorola. Although NEC America's price * * * per unit compared with * * * per unit for Motorola, he bought the Japanese pager also because (a) he preferred their 4-message memory to only two for Motorola, and (b) he generally buys from at least two sources to foster competition in the market. * * * stated that he has been purchasing a higher proportion of Motorola pagers since * * *, because their prices have dropped more than those of NEC America. * * * felt that Panasonic's low prices led to Motorola's price reductions. For instance, he cited a Panasonic price quote of * * * per unit for a tone-only model that was followed within a month by decreasing prices quoted by Motorola on its competing pager, from * * * per unit. * * * also stated that Motorola then * * *. * * * finally remarked that NEC America is generally priced higher than Motorola, but tends to be more innovative. He cited NEC America's 5-tone and display pagers that were sold in the U.S. market months before Motorola offered its own competing pagers.

1/ Telephone conversations on June 30, 1983, between Mr. G. Benedick of the Commission staff and representatives of four RCC's that purchase significant quantities of high-capacity radio pagers.

* * * bought between * * * tone-only pagers from Motorola in * * *, and approximately * * * display pagers from Motorola in * * *. He stated that he bought these pagers from Motorola instead of NEC America primarily because other users he talked with reported more favorably on the Motorola pagers than NEC America's pagers. He also stated, however, that in each instance, Motorola quoted lower prices than NEC America. In the case of the display pager, * * * preferred NEC America's four-message memory to Motorola's two-message memory, but the better acceptance and lower unit price of the Motorola pager (approximately * * * less than NEC America's price) led him to buy the domestic product.

Lost sales

Motorola supplied the Commission with the names of * * * purchasers of radio pagers (all RCC's) with whom it allegedly lost sales to imports from Japan. The alleged lost sales, which involved display pagers only and covered the period from January 1982 through March 1983, ^{1/} amounted to approximately * * * units having an average offer price of * * * per unit (based on Motorola's alleged price quotes), or a total value of * * *. The alleged lost sales volume represents approximately * * * percent of Motorola's domestic shipments of display pagers during the period covered.

The Commission contacted all * * * firms cited, which confirmed buying approximately * * * Japanese display pagers alleged to represent lost sales (this is * * * units more than reported by Motorola). * * * firms reported that the price of the Japanese display pager was less than the price of the domestic display pager, but all four cited product availability as the major reason why the Japanese product was purchased in these cited transactions. Either domestic producers could not supply the specified product by the stipulated date, or they did not offer the specified product. Better features and product reliability were cited as secondary reasons for buying the Japanese pagers. * * *, which reported that the domestic price quote was less than the Japanese price quote, also cited product availability as the major reason for buying the Japanese product instead of the domestic one. * * * firms also reported that they were buying a much higher proportion of domestic display pagers in 1983 than in 1982, because Motorola is currently quoting lower prices than the Japanese suppliers.

* * * * *

^{1/} The Commission staff investigated alleged lost sales of tone-only pagers in the preliminary investigation. The lost sales section in the preliminary report for investigation No. 731-TA-102 (Preliminary) is presented in appendix G.

APPENDIX A

Department of Commerce's Preliminary and
Final Determinations of Sales at Less
Than Fair Value

environmental impact statement which will present a detailed and comprehensive management plan for lands within and immediately adjacent to the Mount St. Helens National Volcanic Monument.

In October 1981, the Mount St. Helens Land Management Plan was approved which allocated 174,100 acres of land surrounding Mount St. Helens to protect the significant geologic, ecologic, and cultural features in the impact area for public education, interpretation, recreation, and research as well as the coordinated multiple use management of adjacent lands. Subsequent to this plan, the President signed an Act in August 1982, establishing an area of approximately one hundred and ten thousand acres designated as the Mount St. Helens National Volcanic Monument. This Act required the development of a "detailed and comprehensive management plan for the Monument," including, but not limited to:

- (1) Measures for the preservation of the natural geologic and ecologic processes and integrity of the resources;
- (2) Indications of types, locations, and general intensities of development and access routes associated with the public understanding, use, and enjoyment of the area, including anticipated timetables and costs;
- (3) Identification of, and implementation plans for, visitor carrying capacities of the area; and
- (4) Indications of any potential modifications of the external boundaries of the area, and the reasons therefore.

This Comprehensive Management Plan will present a range of alternative development options pursuant to these legislative guidelines as well as those established in the Land Management Plan.

Several scoping sessions will be held in February 1983 to gain information on the issues to be analyzed. Federal, State, and local agencies, individuals, and organizations who may be interested in or affected by the decision will be invited to participate in the scoping process.

Jeff Sirmon, Regional Forester of the Pacific Northwest Region in Portland, Oregon, is the responsible official. Questions about the proposed action and environmental impact statement should be directed to Ed Osmond, Recreation Staff, Gifford Pinchot National Forest (telephone 206-896-7524).

The analysis is expected to take about 12 months. The draft environmental impact statement should be available for public review by November 1983.

Written comments and suggestions regarding this analysis should be sent to

Robert Tokarczyk, Forest Supervisor, Gifford Pinchot National Forest, 500 West 12th Street, Vancouver, Washington 98060.

Dated: January 24, 1983.

James F. Torrence,
Deputy Regional Forester for Resources.

[FR Doc. 83-2090 Filed 1-31-83; 8:45 am]
BILLING CODE 3410-11-M

Soil Conservation Service

Mars Hill-Grove Street Critical Area Treatment RC&D Measure, Maine; Finding of No Significant Impact

AGENCY: Soil Conservation Service, USDA.

ACTION: Notice of a finding of no significant impact.

SUMMARY: Pursuant to Section 102(2)(C) of the National Environmental Policy Act of 1969; the Council on environmental Quality Guidelines (40 CFR Part 1500); and the Soil Conservation Service Guidelines (7 CFR Part 650); the Soil Conservation Service, U.S. Department of Agriculture, gives notice that an environmental impact statement is not being prepared for the Mars Hill-Grove Street Critical Area Treatment RC&D Measure, Aroostook County, Maine.

FOR FURTHER INFORMATION CONTACT: Mr. Billy R. Abercrombie, State Conservationist, Soil Conservation Service, USDA Office Building, University of Maine, Orono, Maine, 04473, telephone 207-866-2132.

SUPPLEMENTARY INFORMATION: The environmental assessment of this federally assisted action indicates that the project will not cause significant local, regional, or national impacts on the environment. As a result of these findings, Mr. Billy R. Abercrombie, State Conservationist, has determined that the preparation and review of an environmental impact statement are not needed for this project.

The measure concerns a plan for control of critically eroding cropland. The planned works of improvement include a graded diversion, storage diversion, rock-lined waterway, water control structure and seeding the area disturbed by construction.

The Notice of a Finding of No Significant Impact (FONSI) has been forwarded to the Environmental Protection Agency and to various Federal, State, and local agencies and interested parties. A limited number of copies of the FONSI are available to fill single copy requests at the above address. Basic data developed during

the environmental assessment are on file and may be reviewed by contacting Mr. Billy R. Abercrombie.

No administrative action on implementation of the proposal will be taken until 30 days after the date of this publication in the Federal Register.

(Catalog of Federal Domestic Assistance Program No. 10.901, Resource Conservation and Development Program, Office of Management and Budget Circular A-95 regarding State and local clearinghouse review of Federal and federally assisted programs and projects is applicable)

Dated: January 19, 1983.

Billy R. Abercrombie,
State Conservationist.

[FR Doc. 83-2083 Filed 1-31-83; 8:45 am]
BILLING CODE 3410-16-M

DEPARTMENT OF COMMERCE

International Trade Administration

Preliminary Determination of Sales at Less Than Fair Value; High-Capacity Pagers From Japan

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of preliminary determination of sales at less than fair value; high-capacity pagers from Japan.

SUMMARY: We have preliminarily determined that high-capacity pagers from Japan are being, or are likely to be, sold in the United States at less than fair value. Therefore, we have notified the U.S. International Trade Commission (ITC) of our determination, and we have directed the U.S. Customs Service to suspend the liquidation of all entries of the subject merchandise which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margin as described in the "Suspension of Liquidation" section of this notice.

We also have preliminarily determined that imports of high-capacity pagers featuring a display from Nippon Electric Company, Ltd. should be subject to a zero deposit rate because we found a 0.47 percent weighted-average margin. This margin is *de minimis*.

If this investigation proceeds normally, we will make a final determination by April 11, 1982.

EFFECTIVE DATE: February 2, 1983.

FOR FURTHER INFORMATION CONTACT: John J. Kenkel, Office of Investigations, Import Administration, International Trade Administration, U.S. Department

of Commerce, 14th Street & Constitution Avenue, NW., Washington, D.C. 20230; telephone: (202) 377-3464.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We have preliminarily determined that there is a reasonable basis to believe or suspect that high-capacity pagers from Japan are being, or are likely to be, sold in the United States at less than "fair value," as provided in section 733 of the Tariff Act of 1930, as amended (the Act).

We also have preliminarily determined that imports of high-capacity pagers featuring a display from Nippon Electric Company, Ltd. should be subject to a zero deposit rate because we found a 0.47 percent weighted-average margin. This is *de minimis*.

We have found that the foreign market value of tone-only pagers exceeded the United States price on 99 percent of sales. These margins ranged for 0.2 percent to 99.8 percent. The overall weighted-average margin on all sales compared is 46.31 percent. We also have found that the foreign market value of display pagers from NEC exceeded the United States price. The overall weighted-average margin, however, on all sales compared was 0.47 percent. This margin is *de minimis*. The weighted-average margins for individual companies investigated are presented in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination by April 11, 1983.

Case History

On August 19, 1982, we received a petition from Motorola, Inc., filed on behalf of the U.S. industry producing high-capacity pagers. In accordance with the filing requirements of section 353.36 of the Commerce Department Regulations (19 CFR 353.36), the petition alleged that high-capacity pagers from Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or are threatening to materially injure, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We notified the ITC of our action and initiated such an investigation on September 8, 1982 (47 FR 40679). The ITC subsequently found, on October 4, 1982, that there is a reasonable indication that imports of high-capacity pagers are materially

injuring, or are threatening to materially injure, a United States industry.

The petition alleged that Nippon Electric Co., Ltd. (NEC) and Matsushita Communication Industrial Co., Ltd. (MCI) produce high-capacity pagers for export to the United States.

Questionnaires were presented to the respondents on September 23, 1982. Responses were received on November 17, and December 22, 1982.

Scope of Investigation

For purposes of this investigation, the term "high-capacity pagers" covers paging signal receivers 3,000 or more of which can be operated in a paging system on a single radio frequency channel. This investigation is intended to cover all high-capacity pagers regardless of tariff classifications. The merchandise is currently classified under item numbers 685.24 (solid-state (tubeless) radio receivers), 685.2475 (radio receivers above 30 MHz, but not over 400 MHz), 685.2480 (receivers above 400 MHz, but not over 1,000 MHz), and 685.7035 (other sound signalling apparatus) of the *Tariff Schedules of the United States (TSUS)*.

Since NEC and MCI manufacture virtually all of the high-capacity pagers exported from Japan to the United States, we limited our investigation to them.

This investigation covers the period from March 1, 1982 to August 31, 1982 for purchase price sales and for exporter's sales price transactions. However, since MCI did not have any sales to the U.S. during the above period, we used August 1, 1981 through January 31, 1982 for that company only.

Fair Value Comparison

To determine whether sales of the subject merchandise by MCI in the United States were made at less than fair value, we compared the purchase price with the foreign market value. For NEC, however, we compared exporter's sales price with the foreign market value. Where adjusted foreign market prices exceeded adjusted United States prices, we have preliminarily determined that there are sales at less than fair value.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for sales by MCI because the merchandise was sold to unrelated purchasers prior to its importation into the United States. For NEC the United States price was represented by the exporter's sales price.

We calculated purchase price for NEC based on a CIF, packed price to unrelated purchasers in the U.S. with deductions from that price for the following items: inland and ocean freight costs, shipping charges and insurance costs.

We calculated exporter's sales price for U.S. sales by NEC by deducting from the gross price to unrelated purchasers amounts for the following items, where appropriate: Foreign brokerage, U.S. brokerage, ocean freight, marine insurance, U.S. duty, foreign inland freight, U.S. inland freight, U.S. insurance, foreign insurance, commissions to unrelated sellers, other indirect selling expenses, warranty expenses, credit expenses, technical services, assumed advertising expenses and discounts. We did not use NEC's figure for credit expense because we deemed the interest rate used to be too low. Instead, we calculated the credit expense predicated on the U.S. prime rate in effect during the period of investigation.

Foreign Market Value

We have preliminarily determined that the tone-only pagers sold by MCI and NEC in Japan are such or similar to the tone-only pagers sold in the United States. Therefore, we have chosen sales of tone-only pagers by MCI and NEC to unrelated purchasers in Japan as our basis for foreign market value for purposes of making comparison with tone-only pagers sold in the U.S. In addition, we have preliminarily determined that the tone-only pagers sold by NEC in Japan are not such or similar to the display pagers sold in the United States. Therefore, we have chosen sales of display pagers by NEC to unrelated third-country purchasers in Hong Kong as our basis for foreign market value for purposes of making comparisons with display pagers sold in the United States.

We calculated the foreign market value for MCI and NEC by deducting from the gross, packed CIF or C&F prices the following items, where appropriate: freight and insurance. For MCI, we made adjustments, where appropriate for differences in the merchandise, packing costs, warranty expenses, credit expense and technical services expenses. We made additional deductions to NEC's foreign market value for credit expense, technical services and warranty expense. We made adjustments to NEC's foreign market value for differences in the merchandise and packing.

In addition, indirect selling expense of NEC were deducted to offset U.S.

indirect selling expenses. In instances where NEC's U.S. sales involved commissions to unrelated sellers, deductions were made for indirect selling expenses in the home market to offset U.S. commissions. Adjustments for differences in merchandise for both companies were based on differences in cost of material, direct labor and directly related factory overhead.

In making adjustments to the foreign market value, we made several changes to the figures offered by the respondents. For NEC, we preliminarily determined that we could not use the figures offered by it concerning warranty charges in the home market and technical services in Hong Kong. The reason for this decision was that NEC pays a wholly-owned subsidiary, Nippon Electric Mobile Radio Service Company, for these services. NEC pays this subsidiary approximately four percent of the value of each pager for warranty services. NEC's response stated that the failure rate for domestic pagers is 0.2 percent. Consequently, the deduction for four percent does not appear to be reasonable. Therefore, we calculated an amount for the warranty expense predicated on 0.2 of the value of the pager and used it as best evidence. We did not allow any adjustment for technical services provided by NEC's subsidiary, since we did not have enough information to construct an appropriate value. We will investigate this item during verification and make an adjustment for the final determination if appropriate. Since the Act requires the addition of U.S. packing costs to unpacked home market prices, we have done this for our preliminary determination. We used this same methodology for MCI's packing charge. Some of the pagers sold by NEC in the U.S. included a battery charger. As this feature is not included with pagers sold in the home market, we added the cost of this feature to certain home market sales for purposes of comparison.

MCI requested that we lower the home market price by the value of certain other selling and servicing expenses. We do not consider these items to be a circumstance of sale bearing a direct relationship to the sales of pagers in the home market. Therefore, we disallowed these claims for deductions. MCI also requested an adjustment for advertising. Since MCI did not state that its advertising is attributable to a later sale of the merchandise, we did not make an adjustment. We will investigate this item during verification and make an adjustment, if appropriate, for the final determination. In addition, MCI

requested that we include other factory overhead expenses in the adjustment for differences in the merchandise. We have not included them as they are not directly related to the manufacture of the merchandise.

We calculated third-country prices for NEC's display pager by using the export price of this model to Hong Kong. We calculated the foreign market value by deducting from the gross, packed CIF price amounts for the following items, where appropriate: Inland and air freight expense, insurance expense, commission, indirect selling expense, credit expense, assumed advertising expense and warranty expense. We made adjustments to NEC's foreign market value, where appropriate, for differences in the merchandise and packing costs.

Thus far, one of the major issues in this investigation has been whether the pagers sold in Japan are such or similar to those sold in the United States. Counsel for MCI argues that the pagers sold in Japan are not such or similar to those sold in the United States because the quality and cost of the tone-only pagers sold in Japan are much higher than that of the U.S. tone-only pagers. Counsel for MCI also argues that if we did find the merchandise in Japan to be such or similar that we should make allowances for the differences in profit in the two markets. In order to resolve this issue, we must look to section 771(16) (A), (B), and (C) of the Act (19 U.S.C. 1677 (A), (B), (C)) to see if the merchandise in question falls into any of these three categories. We have preliminarily determined that, at a minimum, the tone-only pagers sold in Japan fall within the scope of 1677(16)(C). The tone-only pagers sold in Japan are produced in the same country and by the same company and are of the same general class or kind of merchandise as the tone-only pagers sold in the United States. The tone-only pagers sold in both markets are used for the same purpose; i.e., both alert the user to the existence of a message. Finally, tone-only pagers sold in both markets may reasonably be compared because each contains either identical or nearly identical types of components which function in the same manner. The Act and the Department of Commerce Regulations provide, under certain circumstances, for adjustments to sales of similar merchandise to compensate for such things as differences in the merchandise. Where appropriate, we have made such adjustments. The regulations state that we will be guided primarily by the differences in the cost of production when making adjustments

for differences in the physical characteristics of the merchandise. It is the policy of the Department to consider only these differences. Thus, we have not considered differences in profit in our adjustments.

The other category of high-capacity pagers sold in the U.S. is display pagers which produce an actual message on an alpha-numeric display. We have preliminarily determined that tone-only pagers sold in Japan are not such or similar to display pagers sold in the United States. The function of the display pagers is different from the tone-only pager in that it not only alerts the user to the existence of a message, but actually delivers the message on a display screen. With a tone-only pager, the user must make one or more telephone calls to determine the exact nature of the message. This increase in capability consequently increases the value of a display pager. In addition, the technology needed to produce the display pager is more complex than that needed to produce the tone-only model. While both use similar receivers to respond to a transmitted code, the display pagers employ random-access memory to retain the received information, a message processor to convert a coded signal to alpha-numeric characters, and a display system. The additional circuitry needed in the display pagers tends to be more of the type used in computers rather than that used in radio receivers.

Thus, the tone-only pagers sold in Japan do not meet the criteria of the Act for such or similar merchandise with respect to comparisons involving display pagers. Therefore, we used sales of display pagers in a third country, Hong Kong, as our basis for foreign market value.

Verification

We will verify all data used in reaching the final determination in this investigation, as provided in section 776(a) of the Act.

Suspension of Liquidation

In accordance with section 773(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of high capacity pagers from Japan, with the exception of imports of display pagers produced by NEC, subject to this investigation which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated average amount by which the

foreign market value of the merchandise subject to this investigation, with the exception of display paggers produced by NEC which will have a zero deposit rate, exceeds the United States price. This suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturers/sellers/exporters	Weighted average margin (percent)
MCI	88.07
NEC—lone-only paggers	11.72
—display paggers	0.47
Other manufacturers/sellers/exporters	88.07

The margin for NEC's display paggers is de minimis.

Where a company specifically listed above has not exported one of the products under investigation during the period for which we are measuring sales at less than fair value, the cash deposit or bond amount for that product shall be based on the highest rate for the investigated products that were exported by that company.

ITC Notification

In accordance with Section 733(f) of the Act, we will notify the ITC of our determinations. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to these investigations. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports are materially injuring or threatening to materially injure a U.S. industry, before the latter of 120 days after the Department makes its preliminary affirmative determination or 45 days after the Department makes its final affirmative determination.

Public Comment

In accordance with section 353.47 of the Commerce Department Regulations, if requested, we will hold public hearing to afford interested parties an opportunity to comment on these preliminary determinations at 10:00 a.m. on March 4, 1983, at the U.S. Department of Commerce, Room 6802, 14th Street & Constitution Avenue, NW., Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant

Secretary for Import Administration, Room 3099B, at the above address within ten days of this notice's publication. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least ten copies must be submitted to the Deputy Assistant Secretary by March 1, 1983. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within thirty days of publication of this notice, at the above address in at least 10 copies.

Dated: January 26, 1983.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 83-2728 Filed 1-31-83 8:45 am]

BILLING CODE 3510-25-M

Final Affirmative Countervailing Duty Determination and Countervailing Duty Order, Cotton Sheeting and Sateen From Peru

AGENCY: International Trade Administration, Commerce.

ACTION: Final affirmative countervailing duty determination and countervailing duty order; cotton sheeting and sateen from Peru.

SUMMARY: We have determined that certain benefits which constitute bounties and grants within the meaning of the countervailing duty laws are being provided to manufacturers, producers, or exporters in Peru of cotton sheeting and sateen, as described in the "Scope of Investigation" section of this notice. The estimated net bounty or grant is indicated under the "Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: February 1, 1983.

FOR FURTHER INFORMATION CONTACT: Vincent P. Kane or Melissa G. Skinner, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, Telephone: (202) 377-5414 or 3530.

SUPPLEMENTARY INFORMATION:

Final Determination

Based upon our investigation, we have determined that the government of Peru provides certain benefits which constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (the Act), to manufacturers, producers, or exporters

in Peru of cotton sheeting and sateen, as described in the "Scope of Investigation" section of this notice. The following programs are found to confer bounties or grants:

- Certificate of Tax Rebate (CERTEX)
- Nontraditional Export Fund (FENT)
- Articles 8, 9, 12, 14 and 16 of the Law for the Promotion of Exports of Nontraditional Goods (the Export Law)

The estimated net bounty or grant is 29.973 percent of the f.o.b. value of the export of cotton sheeting and/or sateen.

Case History

On June 15, 1982, we received a petition from the American Textile Manufacturing Institute on behalf of the cotton sheeting and sateen industry in the United States. The petition alleged that certain benefits which constitute bounties or grants within the meaning of section 303 of the Act are being provided, directly or indirectly, to the manufacturers, producers, or exporters of cotton sheeting and sateen in Peru.

Since Peru is not a "country under the Agreement" within the meaning of section 701(b) of the Act, and the products under investigation are dutiable, section 303 of the Act applies to this investigation. Therefore the domestic industry is not required to allege that, and the U.S. International Trade Commission is not required to determine whether, imports of this product cause or threaten to cause material injury to a U.S. industry. We found the petition to contain sufficient grounds upon which to initiate a countervailing duty investigation, and on July 6, 1982, we initiated a countervailing duty investigation (47 FR 30274).

On July 14, 1982, we presented a questionnaire concerning the allegations to the government of Peru at its embassy in Washington, D.C. Subsequently, on July 18, 1982, we determined that the investigation was "extraordinarily complicated" within the meaning of section 703(c)(1)(B) of the Act, and we published a notice of the postponement of the preliminary countervailing duty determination (47 FR 37267). On September 17, 1982, we received the responses to the questionnaire. A supplemental questionnaire was presented to the government of Peru in Washington, D.C. on October 12, 1982. On October 26, 1982, we received the responses to the supplemental questionnaire.

On November 12, 1982, we issued our preliminary determination in this investigation (47 FR 52213). This stated that the government of Peru was

accordance with section 733(c)(1)(A) of the Tariff Act of 1930, as amended.

We have determined that additional time is necessary to make the preliminary determination. Accordingly, the period for determination in this case is hereby extended. We intend to issue a preliminary determination not later than August 24, 1983.

This notice is published pursuant to section 733(c)(2) of the Act.

Dated: June 16, 1983.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 83-15620 Filed 6-23-83 8 45 am]

BILLING CODE 3510-25-M

Final Determination of Sales at Less Than Fair Value; High-Capacity Pagers From Japan

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of determination of sales at less than fair value; high-capacity pagers from Japan.

SUMMARY: We have determined that high-capacity pagers from Japan are being sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening to materially injure, a United States industry.

EFFECTIVE DATE: June 23, 1983.

FOR FURTHER INFORMATION CONTACT: John J. Kenkel, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone: (202) 377-3464.

SUPPLEMENTARY INFORMATION:

Case History

On August 19, 1982, we received a petition for Motorola, Inc., filed on behalf of the U.S. industry producing high-capacity pagers. In accordance with the filing requirements of §353.36 of the Commerce Department Regulations (19 CFR 353.36), the petition alleged that high-capacity pagers from Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or are threatening to materially injure, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We notified the ITC of our action and initiated an

investigation on September 8, 1982 (47 FR 40679). The ITC subsequently found, on October 4, 1982, that there is a reasonable indication that imports of high-capacity pagers are materially injuring, or are threatening to materially injure, a United States industry.

The petition alleged that Nippon Electric Co., Ltd. (NEC) and Matsushita Communication Industrial Co. Ltd. (MCI) produce high-capacity pagers for export to the United States. Questionnaires were presented to the respondents on September 23, 1982. Responses were received on November 17, and December 22, 1982.

We made a preliminary determination on January 26, 1983 (48 FR 4498) that high-capacity pagers were being sold at less than fair value. We held a hearing on April 22, 1983 to allow the parties an opportunity to address the issues.

On April 20, 1983, NEC requested that the investigation be terminated because "there is no cognizable allegation of injury to a United States industry because Motorola is in fact an importer of high-capacity pagers." We have deferred this decision to the ITC.

Scope of Investigation

For purposes of this investigation, the term "high-capacity pagers" covers paging signal receivers, 3,000 or more of which can be operated in a paging system on a single radio frequency channel. This investigation is intended to cover all high-capacity pagers regardless of tariff classifications. The merchandise is currently classified under item numbers 685.24 (solid-state (tubeless) radio receivers), 685.2475 (radio receivers above 30 MHz, but not over 400 MHz), 685.2480 (receivers above 500 MHz, but not over 1,000 MHz), and 685.7035 (other sound signalling apparatus) of the *Tariff Schedules of the United States Annotated (TSUSA)*.

Since NEC and MCI manufacture virtually all of the high-capacity pagers exported from Japan to the United States, we limited our investigation to them.

This investigation covers the period from March 1, 1982 to August 31, 1982 for purchase price and exporter's sales price transactions. However, since MCI did not have any sales to the U.S. during the above period, we used August 1, 1981 through January 31, 1982 for that company.

Fair Value Comparison

To determine whether sales of the subject merchandise by MCI in the United States were made at less than fair value, we compared the purchase price with the foreign market value. For

NEC, however, we compared exporter's sales price with the foreign market value. Where adjusted foreign market values exceeded adjusted United States prices, we determined that there were sales at less than fair value.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for sales by MCI, because the merchandise was sold to unrelated purchasers prior to its importation into the United States. For NEC, the United States price was represented by the exporter's sales price.

We calculated purchase price for MCI based on a CIF, packed price to unrelated purchasers in the U.S., with deductions from that price for the following items: inland and ocean freight costs, shipping charges and insurance costs.

We calculated exporter's sales price for U.S. sales by NEC by deducting from the gross price to unrelated purchasers amounts for the following items, where appropriate: foreign brokerage, U.S. brokerage, ocean freight, marine insurance, U.S. duty, foreign inland freight, U.S. inland freight, U.S. insurance, foreign insurance, warehouse expenses and commissions to unrelated sellers. We also deducted the further cost of manufacture performed in the United States.

We did not use a number of figures submitted by NEC. First, NEC submitted separate figures for insurance on ocean and foreign inland transportation. At verification we found that NEC's insurance policy for ocean freight included all segments of the journey. Therefore, we did not allow separate deductions for the foreign inland portion. Second, in its response, NEC also listed an adjustment for so-called testing and customizing at NEC America's facility in California. We have not adjusted for the testing cost, because it was not proven to be either a selling expense or a cost of further manufacture or assembly. As for the customizing expense, we allowed it as a cost of further manufacture or assembly after importation. Third, we also learned at verification that NEC pays a royalty to Motorola on U.S. sales of certain models of its pagers. We made an appropriate deduction. Finally, NEC did not list any cost for warehousing its pagers in Los Angeles. We have determined that, on average, the pagers are stored for a significant period. We have calculated the interest cost for the storage of pagers prior to each sale and

made an appropriate adjustment for this item.

Foreign Market Value

We determined that the tone-only pagers sold by MCI and NEC in Japan are such or similar to the tone-only pagers sold in the United States. Therefore, we chose sales of tone-only pagers by MCI and NEC to unrelated purchasers in Japan as our basis for foreign market value for purposes of making a comparison with tone-only pagers sold in the U.S. In addition, we determined that the tone-only pagers sold by NEC in Japan are not such or similar to their display pagers sold in the United States. Therefore, we chose sales of display pagers by NEC to unrelated third-country purchasers in Hong Kong as our basis for foreign market value for purposes of making a comparison with display pagers sold in the United States.

We calculated the foreign market value for MCI and NEC by deducting from the gross, packed CIF or C & F prices the following items, where appropriate: freight and insurance. For MCI, we made adjustments, where appropriate for differences in the merchandise, warranty, technical service expense and credit expense. We made adjustments to NEC's foreign market value for credit expense, technical services, warranty expense, warehousing, indirect selling expenses, rebates and discounts, and differences in the merchandise. Since the Act requires the addition of U.S. packing costs to unpacked home market prices, we have done this for our final determination. In addition, allowance was made for all actual selling expenses incurred by NEC in the home market up to the amount of the selling expenses incurred in the U.S. market.

MCI requested that we lower the home market price by the value of certain other selling and servicing expenses for such items as salaries, travel, meetings and conventions, etc. We do not consider these items to be a circumstance of sale bearing a direct relationship to sales of pagers in the home market. Therefore, we disallowed these claims for deductions. MCI also requested an adjustment for advertising. Since MCI did not appear to target potential end users of pagers in its general advertising but rather disbursed brochures and catalogs to the general public and to tour groups visiting its plants, we did not make an adjustment. In addition, MCI requested that we include direct factory overhead, other factory overhead, engineering and purchasing expenses in the adjustment for differences in the merchandise. We

have included only the portions of these expenses which are directly related to the manufacture of the pagers and which are directly related to differences in the physical characteristics of the merchandise being compared in the two markets.

We made a number of changes to the figures submitted by NEC for sales of its tone-only pager in the home market. First, NEC did not originally provide us with a complete listing of all sales of pagers made during the period of investigation. As a result of verification, we received a complete listing. This listing, however, also included the sale of spares, which are incomplete pagers. We did not include these spares in our calculations. Second, NEC miscalculated its packing cost. We verified and used a lower cost figure. Third, NEC's technical service charge in both markets was verified to be higher than the number in the response. We found that there were technical services expenses in the United States, whereas NEC had claimed none. Fourth, most of the technical service cost claimed in NEC's original computer tape was actually research and development and engineering costs. After several attempts, we were unable to satisfactorily verify this data. Therefore, we did not allow any adjustment. Fifth, we ascertained at verification that NEC's credit costs should be higher in both markets than they claimed in their response. For interest costs in the United States, we used the interest rate at which NEC America borrows funds in the U.S. Sixth, NEC requested an adjustment for quality control, which is composed of testing procedures for the domestic pager. Because these testing procedures do not result in any differences in the physical characteristics of the merchandise in the markets being compared, and because they are not a circumstance of sale, we disallowed an adjustment. Seventh, as a result of verification, we determined that indirect selling costs should be lower in the home market. These costs also should be higher in the U.S., because we allocated to NEC America's pager division a portion of the operating expenses incurred by the NEC headquarters office. Eighth, we verified that warranty costs, as well, were lower than the amount claimed. Ninth, we adjusted the home market price as appropriate when we compared those sales to U.S. pagers sold with vibrator or battery charger or without a warranty. Finally, where we found differences in the physical characteristics of the merchandise being compared in the two markets, we followed the criterion in the

regulations which states, *inter alia*, "the Secretary will be guided primarily by the differences in the cost of production" (19 CFR 353.16). For the differences in the parts themselves, we allowed the adjustments requested by NEC. We did not allow any testing adjustments in either market for the reasons stated above. We did not use NEC's figures for assembly to the extent they were predicated on differences in labor rates for the pagers in the two markets. Instead, we based the labor rate on the charge from an unrelated contractor and only considered the differences in time, which resulted primarily from procedures required to be performed on physically different home market models.

We calculated third-country prices for NEC's display pager by using the export price of this model to Hong Kong. We calculated the foreign market value by deducting from the gross, packed CIF price amounts for the following items, where appropriate: inland and air freight expense, insurance expense, commission, indirect selling expense, credit expense, assumed advertising expense and warranty expense. We made adjustments to NEC's foreign market value, where appropriate, for differences in the merchandise and packing costs.

We adjusted NEC's request for an adjustment for technical service on sales of pagers to Hong Kong by allowing only directly related costs.

Petitioner's Comments

Comment 1

Motorola argues that NEC's tone-only pagers sold in Japan are "such or similar" to NEC's display pagers sold in the United States, and that the Department should use home market sales of the tone-only pager as the basis for determining the foreign market value of NEC's display pager. Motorola asserts that all pagers, including display pagers, meet the criteria for "similarity" under section 771(16)(C) of the Act in that they are: (i) Of the same general class or kind of merchandise; (ii) like in the purposes for which used; and (iii) may reasonably be compared with each other. With respect to the uses of display pagers vis-a-vis tone-only pagers, Motorola argues that the uses are identical in that both types of pagers are used by a common carrier to offer subscribers paging services on a paging system. Motorola asserts that how a product is used subsequently by parties not purchasing from the manufacturer is less relevant than how common carriers use pagers. In addition, Motorola claims that even if

display pagers may provide in some cases more information than tone-only pagers to individual subscribers, subscribers nonetheless use tone-only and display pagers in the same general way, and that actual, as opposed to theoretical, use should be controlling for purposes of subsection 771(16)(C)(ii).

NEC, on the other hand, argues that its home market tone-only pagers are not "similar" to display pagers under section 771(16)(C). NEC argues that the two types of pagers are not "of the same general class or kind," because they are not "like in the purposes for which used." In addition, NEC argues that because of differences in components, purposes, and value, the two types of pagers cannot reasonably be compared. NEC cites the Department's determination in *Certain Electric Motors from Japan*, 45 FR 73723 (Nov. 8, 1980), for the proposition that to attempt a comparison of the two types of pagers would amount to computing a constructed value.

DOC Position

"Such or similar" determinations under section 771(16) must be made on a case-by-case basis. In this instance, we agree with Motorola that tone-only and display pagers are "of the same general class or kind of merchandise" and that the two types of pagers "may reasonably be compared" with each other, because most of the non-display parts are similar in both NEC pagers. However, in our opinion, the two types of pagers are not "like in the purposes for which used." Tone-only pagers are used primarily to alert the wearer that a message has been received. However, display pagers are used to deliver the message itself on a display screen. In our opinion, this difference in use is significant enough to preclude a finding of "similarity" under section 771(16)(C). In this regard, we disagree with Motorola's unsupported contention that the manner in which common carriers use pagers should be controlling.

Comment 2

Motorola argues that in adjusting for differences in the merchandise, the Department should adjust only for differences in direct costs which are related to physical differences in the merchandise. According to Motorola, this is the normal method applied by the Department, and the cases in which the Department or Treasury has departed from this method are distinguishable from the instant case.

MCI, however, argues that in adjusting for differences in the merchandise, the Department must take into account the impact of vast physical

differences on the value of the home market pager. According to MCI, there is no authority to limit allowances only to direct costs of production. MCI attacks the Department's reference in the preliminary determination to its "policy" of adjusting only for direct costs as contrary to law, because it allegedly renders the other guidelines of § 353.16 of the Commerce Regulations nugatory. MCI also claims that by eliminating the other two alternative methods in § 353.16, the Department has engaged in rulemaking without following the procedures of 5 U.S.C. 553. Finally, MCI cites cases in which either the Department or Treasury used some method other than the direct cost method. MCI urges that the Department use an approach which takes into account the differences in the absolute amount of profit between sales of the home market and the POCSAG pagers, such as using a price to cost ratio or the ratio of the POCSAG pager's cost of production to that of the home market pager.

DOC Position

We agree with Motorola that in this case, adjustments should be limited to differences in direct costs of production related to differences in physical characteristics of the merchandise. As stated in § 353.16 of the Commerce Regulations, this is the primary method of adjusting for differences in the merchandise.

With respect to the statement in the preliminary determination concerning the Department's "policy" of considering only differences in costs when adjusting for differences in the physical characteristics of the merchandise, this was intended as nothing more than a restatement of the preference contained in § 353.16 for using differences in costs. As indicated in § 353.16, the Department recognizes that at times other methods of adjusting for differences in the merchandise may be appropriate. Thus, it is not necessary to address MCI's argument that the Department has rendered the other guidelines in § 353.16 nugatory or that the Department has engaged in unlawful rulemaking.

However, the Department continues to maintain that it would be inappropriate in this case to resort to the alternative methods contained in § 353.16. While § 353.16 permits, when appropriate, adjustments based upon differences in market value, this method is, with good reason, not preferred. As one court has noted:

I have no doubt that if the market value approach were the sole (or even the primary) method utilized for quantifying adjustments . . . as a practical matter the resulting

adjustments in many instances would be purely speculative or sheer guesswork.

Brother Industries, Ltd. v. United States, 540 F. Supp. 1341, 1354 (CIT 1982), appeal docketed sub nom., *Smith-Corona Group v. United States*, o. 82-24, CCPA, May 13, 1982.

Due to such problems, the Department has used the market value approach sparingly. We find the cases cited by MCI to be either distinguishable or unpersuasive. For example, the *Large Power Transformers* cases involve specially designed and produced merchandise, no two of which are alike, whereas pagers are mass-produced. In *Bicycle Tires and Tubes from Korea*, the use of value, as opposed to cost, was based upon Treasury practice in that particular case, and, as pointed out by Motorola, has not been continued in the most recent administrative review.

A more important reason for not using a market value approach, however, is that MCI has not established the effect of physical differences in the merchandise upon the market value of the merchandise. In this regard, it is important to note that all suppliers of pagers to purchasers in the home market charge the same price for their pagers. Thus, the MCI, the NEC, and the Motorola pager sold in Japan all have the same "market value," even though each pager may be quite different in terms of quality or cost. In such a situation, the use of a market value approach would be most speculative. Therefore, we consider it appropriate to use the normal differences in cost of production method in adjusting for differences in MCI's pagers, since we recognize that differences in costs are at least partly responsible for differences in prices.

Comment 3

Adjustments for circumstances of sale should be allowed only for costs directly related to sales of pagers.

DOC Position

We partially agree. We did not make an adjustment for MCI's advertising in the home market as it was not directed to potential users of pagers, but rather to the general public and to groups touring MCI's facilities. MCI sells pagers to communication service companies (CSCs), who lease the pagers to users in various geographical areas. We did not receive any information that the general advertising was targeted to the end users of pagers in a particular geographical area. Thus, this is an indirect selling expense not allowed as an adjustment in a purchase price situation. We did make an adjustment

for actual technical services. We allowed the full amount requested, including certain allocated costs, because they were reasonably calculated and actual data were not kept as ordinary business records. We allowed certain indirect selling costs of NEC, such as indirect selling expenses and advertising expenses, since we have an exporter's sales price situation. We also have decided that NEC's technical service costs in the home market are directly related to sales of pagers. Finally, we decided that NEC's warranty costs in the home market were directly related, but overstated. We have made an adjustment for actual directly-related warranty costs.

Respondents' Comments

MCI Comment 1

MCI argues that the Department may not use home market sales of MCI's home market pager to determine foreign market value, because its domestic pager is not "sold" within the meaning of section 771(14) of the Act. According to MCI, it cannot sell or offer its home market pager to any and all purchasers at wholesale, within the meaning of section 771(14)(A). It can sell only to eight communication service companies (CSCs) assigned to it by Nippon Telegraph and Telephone Company (NTT). Moreover, MCI argues that it does not sell to one or more "selected purchasers," within the meaning of section 771(14)(B). MCI cites customs valuation cases which allegedly stand for the proposition that "selected purchasers" must be purchasers selected by the seller. MCI claims that the concept of "selected purchasers" finds no application where the buyer chooses the seller.

Motorola, however, argues that MCI's NTT pager is "sold" within the meaning of section 771(14) because: (1) The definition relied upon by MCI was intended to expend the applicable standard for home market sales; (2) the customs valuation precedents cited by MCI are inapplicable, because the relevant portion of the antidumping statute lacks the "freely-sold" standard; (3) MCI has failed to explain how a highly-competitive market for pagers in Japan can fail to qualify as a free marketplace; (4) the fact that NTT (or its affiliates), is, by Japanese government regulation, the sole purchaser does not mean that pagers are not sold to "All purchasers" or to a "selected purchaser"; and (5) the cases cited by MCI are distinguishable for other reasons.

DOC Position

The Department agrees with Motorola that MCI's sales of the NTT pagers are, at a minimum, sales to a "selected purchaser." Although the cases cited by MCI frequently refer to a purchaser "selected by the seller," none of these cases holds that there cannot be a "selected purchaser" in situations, such as the instant one, where there is only one buyer. Moreover, whether one regards NTT or the CSC's as the purchaser, they are, in fact, "selected" by MCI, since MCI is not forced to sell pagers or any other product to them.

Even if one were to regard the cases cited by MCI as on point, the Department would not regard these customs valuation cases as dispositive. On many occasions, the Department has enunciated its view that cases decided under the customs valuation laws are not controlling with respect to the antidumping law. Although the customs valuation laws and the antidumping law contain similar (and sometimes identical) language, purposes of the laws are different. In view of the antidumping law's strong preference for the use of home market sales to determine foreign market value, we would not, in the absence of some clearer evidence of Congress' intent, interpret the term "selected purchasers" narrowly so as to preclude the use of home market sales in a situation such as the present one, where there is every indication that the market for pagers in Japan is free and highly competitive.

Because we have determined that MCI's sales are, at a minimum, sales to "selected purchasers," we need not decide whether such sales are also sales to "all purchasers at wholesale."

MCI Comment 2

MCI argues that the Department should not base the foreign market value of its POCSAG tone-only pagers sold in the United States on its home market sales of NTT tone-only pagers. According to MCI, its NTT pager is not "similar," within the meaning of section 771(16), to its POCSAG pager.

With respect to section 771(16)(B), MCI argues that the concept of similarity is "substantively identical" to the definition contained in 19 U.S.C. 1401a(f)(4)(C) (1980) of the customs valuation law. According to MCI, the standard of similarity under section 1401a(f)(4)(C) is "commercial interchangeability," or "literally interchangeable." Because a NTT pager will not operate in the United States and a POCSAG pager will not operate in Japan, MCI argues that the two pagers are not interchangeable and, therefore,

are not similar within the meaning of section 771(16)(B).

With respect to section 771(16)(C), MCI argues that because the cost differences between the NTT and POCSAG pagers are allegedly so large, the two pagers may not "reasonably be compared" within the meaning of subsection 771(16)(C)(iii). According to MCI, the specifications required of pagers in Japan by NTT call for attributes of performance, quality, and miniaturization which are much higher than those of the POCSAG pager, and which render the two types of pagers non-comparable. MCI argues that the similarity between block diagrams of the two pagers is not dispositive, because such diagrams fail to account for the more advanced technology embodied in the NTT pager. MCI also argues that the legislative history of the 1958 amendments to the Antidumping Act, 1921, indicates that section 771(16)(C) of the present law was intended to allow only for comparison of merchandise with minor physical differences. MCI also cites *Certain Electric Motors from Japan, supra*, as precedent for not using price-to-price comparisons between the NTT and the POCSAG pagers.

Motorola, on the other hand, argues that MCI's NTT pager is "similar" to the POCSAG pager. With respect to subsection 771(16)(C)(iii), Motorola notes that the statute gives the Department a wide range of discretion and judgment to resolve issues of similarity. Motorola also claims that the two types of pagers are basically equal in terms of performance characteristics and cites the fact that NEC has not claimed that its NTT and POCSAG pagers are not similar. Motorola also challenges MCI's interpretation of the legislative history, and argues that even if Congress had intended to limit comparisons to merchandise with "minor" differences, the differences between MCI's NTT and POCSAG pagers are, indeed, minor. Motorola also claims that the Department has not followed the *Electric Motors* decision cited by MCI, even in administrative reviews of that same proceeding. Motorola further argues that the use of block diagrams is appropriate in determining the "similarity" of electronic products. Finally, Motorola argues that even if MCI's claimed cost differences are true, adjustments for such differences would render a comparison reasonable.

DOC Position

As noted above, these "similarity" decisions must be made on a case-by-

case basis. Usually, there is no one factor which will be dispositive. In this instance, we have determined that MCI's NTT and POCSAG tone-only pagers may reasonably be compared so as to render them "similar" under section 771(16)(C).

As a general proposition, we disagree with MCI's limited interpretation of section 771(16)(C). In referring to the almost identical predecessor provision of section 771(16)(C), one court has noted that the definition of "similar" contained in paragraph (C) grants "broad discretion" to the decisionmaker. *Zenith Radio Corporation v. Matsushita Electric Industrial Co., Ltd.*, 494 F. Suppl. 1190, 1225 (E.D. Penn. 1980) (*dictum*). We agree with this statement.

Furthermore, with respect to the long-handle/short-handle shovel example cited in the legislative history (and discussed at great length by the parties), we do not view that example as limiting determinations of "similarity" to situations where the differences between merchandise are as simple as handles of different lengths. The Treasury Department, which proposed and supported the 1958 amendments to the antidumping law, and administered them thereafter, frequently found merchandise to be similar in situations where physical differences were much more extensive than those between long- and short-handled shovels. Thus, we find it difficult to believe that the revised definition of "similar" was intended to be as limited as MCI claims.

With respect to the precedential value of *Certain Electric Motors from Japan*, also discussed at great length by the parties, we do not consider that decision to be controlling. First, the statement relied upon by MCI related to comparisons of certain specialty motors sold in Japan to more standard motors sold in the United States. The instant investigation simply involves the comparison of two types of standard pagers. Second, while we do not believe that the *Electric Motors* decision implied the establishment of any sort of absolute rule, to the extent that it may have done so, it is incorrect. As stated elsewhere, issues of "similarity" must be determined on a case-by-case basis, and what may be "reasonable" in one set of facts may not be "reasonable" in another.

In the final analysis, we think that the phrase "may reasonably be compared" in subsection 771(16)(C)(iii) entails at least two considerations: (1) It must be fair to compare the merchandise in question; and (2) it must be administratively feasible and convenient to compare the merchandise in question. With respect to the first

consideration, we think that when appropriate adjustments for physical differences between the merchandise are made, the resulting comparison is fair. Although the NTT and POCSAG pager do not share any common, physically-identical parts, only one type of part (hybrid integrated circuits) of the NTT pager has a significantly higher cost. Even here, however, MCI exaggerated the costs of these parts. Moreover, a good portion of the adjustments claimed by MCI reflect cost differences which have nothing to do with physical differences in the merchandise. We do not believe that adjustments for such items are required or appropriate under the antidumping law, and the failure to adjust for such items does not render a comparison between the NTT and POCSAG pager unfair. With respect to the second consideration, it is administratively feasible and convenient to compare MCI's NTT and POCSAG pagers.

Because we have decided that MCI's NTT and POCSAG pagers are similar under section 771(16)(C), there is no need to determine whether they are similar under section 771(16)(B).

MCI Comment 3

The Department should value the cost of materials at MCI's cost of procurement in making adjustments for differences in the merchandise.

DOC Position

We agree for those items purchased from non-related vendors. However, we could not directly compare sales prices on parts purchased from MCI's sister companies to see if they were made at arm's length, because these parts are not sold by its sister companies to any unrelated company. The only other reasonable basis to decide this issue was to look at the price quotes obtained by the petitioner from independent Japanese producers of very similar parts. We find such a price discrepancy between these price quotes and the prices paid by MCI to its sister companies that we conclude that MCI's purchases from sister companies did not reflect a price which would have been received in a freely negotiable environment involving unrelated parties. We therefore viewed the MCI corporate group as one entity and based the value of these parts on the cost of manufacturing.

MCI Comment 4

The home-market sales price should be 40,000 yen for the first quarter of 1982.

DOC Position

We have compared the sales of pagers in the U.S. with those sales most contemporaneous in time in Japan in order to calculate a margin. These home market sales were made at the higher price of approximately 50,000 yen.

MCI Comment 5

The Department improperly excluded "other factory overhead" expenses in adjusting for differences in merchandise. In addition, the Department should include an adjustment for all other costs associated with the cost to produce the NTT pagers, including direct factory overhead, purchasing expenses and differences in labor rates.

DOC Position

We have included in this determination only those expenses in "other factory overhead" and other categories such as direct factory overhead, purchasing expenses and labor costs, which are directly related to differences in the physical characteristics of the merchandise. Within direct and indirect factory overhead, we allowed only salaries for direct supervisory personnel and depreciation for equipment used in production of pagers and a portion of the depreciation for the building housing the pager operation. Concerning labor costs, we did not allow for any differences in labor rates because they do not, *per se*, relate to any differences in the merchandise. Thus, we used a labor rate charged by an unrelated contractor and adjusted, as appropriate, only for differences in time. We did not allow an adjustment for purchasing expenses as these are not directly related to any physical differences in the merchandise.

MCI Comment 6

The technical services adjustment was verified. MCI submitted information on the cost of preparing the POCSAG pager technical manuals.

DOC Position

MCI told us during verification that actual costs for manual preparation were unavailable. Later, we were told that one of our verification documents contained a figure which included equal amounts of cost for home market manual preparation as well as U.S. manual preparation cost. We were⁷⁴ provided backup documentation to prove this assertion. Therefore, this item is verified and we have made an adjustment for technical services.

MCI Comment 7

Home market advertising is directed at the consuming public and is therefore geared to reach potential pager users. This is directly related because it benefits MCI in its efforts to persuade ultimate users to lease MCI pagers from the CSCs.

DOC Position

See our response above to petitioner's comment number three.

MCI Comment 8

The Department used an incorrect exchange rate in calculations regarding a sale in the U.S.

DOC Position

We have used the correct exchange rate in this final determination.

NEC Comment 1

The Department should grant an adjustment for the research and development costs attributable to the NTT pager, because they relate to differences in the physical characteristics of the merchandise.

DOC Position

This item was not satisfactorily verified. Therefore, we did not allow an adjustment.

NEC Comment 2

An adjustment should be made for the cost of additional quality control testing for the NTT pager, because without such costs they could not have sold that model in the home market.

DOC Position

The cost for testing does not meet the test of regulation § 353.16 (19 CFR 353.16) in that it does not result in differences in physical characteristics between the merchandise being compared in the two markets. Thus, we did not allow an adjustment.

NEC Comment 3

Different labor rates should be used to calculate an adjustment for the cost of production, because the lower rate was the amount actually paid to an unrelated subcontractor.

DOC Position

Differences in labor rates incurred for the same manufacturing process for the home and the export market were not considered by the Department to be an acceptable adjustment. The decision by the company to manufacture the home market model and the U.S. model in two different facilities does not result in a difference in the physical characteristics of the merchandise. Section 353.16 of the

Regulations (19 CFR 353.16) explicitly states that "(d)ifferences in costs of producing merchandise with identical physical characteristics as end products will not be considered appropriate adjustments." Therefore, such claim was denied.

Differences in the time of manufacturing was considered to be a cost which results from a difference in the physical characteristics of the merchandise and, therefore, an adjustment based on the differences in time at the rate charged by an unrelated contractor was made.

NEC Comment 4

The Department should allow the adjustment for warranty cost in the home market, because this is a direct cost related to sales of pagers.

DOC Position

We have allowed an adjustment for warranty costs in the home market. The amount verified, however, was lower than that stated in the response. Moreover, we deem that the price paid by NEC to its subsidiary did not reflect an arm's length transaction due to the high percentage of profit made by the subsidiary. Thus, we have used the actual cost to the subsidiary as the allowable figure.

NEC Comment 5

NEC America's indirect selling expense should be reduced by the amount of so-called "management fee" which was erroneously included in the response.

DOC Position

The Department did not consider the intracompany transfer (management fee) paid from the pager division to the corporate headquarters of NEC America to be part of the indirect selling expenses. The Department, instead, adjusted indirect selling expenses by adding a proportional share of the headquarters' operating expenses.

NEC Comment 6

U.S. credit expense should be based upon the actual amount paid by NEC America, and should be offset by the amount's repaid to the Mobile Radio Division.

DOC Position

When determining credit expenses, the Department bases the cost of credit on the cost of obtaining funds by the company from an independent party. The Department, therefore, based credit expenses for NEC America on costs incurred by it for loans from outside parties.

NEC Comment 7

An adjustment based upon the higher Hong Kong credit expense should be granted.

DOC Position

The Department agrees that credit expense should be actual expense incurred in consummating a sale, which such expense can be identified by lines of credit or other means. We are able to verify the higher amount in this situation and adjusted for it in our calculations.

Verification

In accordance with section 776(a) of the Act, we verified all the information used in making this determination. We were granted access to the books and records of MCI and its sister companies and to those of NEC and NEC America. We used standard verification procedures, including examination of accounting records, financial statements and selected documents containing relevant information.

Results of Investigation

We made fair value comparisons on all the reported high-capacity pagers sold in the United States by the two Japanese companies during the investigative period. For MCI's tone-only pagers margins were found on 100 percent of quantity sold. The margins ranged from 85 percent to 120 percent. For NEC's tone-only margins were found on 100 percent of the quantity sold. The margins ranged from 43 percent to 110 percent. For NEC's display pager, the margins were found on 5 percent of sales and ranged from 0.4 percent to 13 percent.

Final Determination

Based on our investigation and in accordance with section 735(a) of the Act, we have reached a final determination that high-capacity pagers from Japan are being sold in the United States at less than fair value within the meaning of section 731 of the Act.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of high-capacity pagers from Japan, subject to this investigation which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The Customs Service shall continue to require a cash deposit, the posting of a bond of other security equal to the estimated weighted-average amount by which the foreign market

value of the merchandise subject to this investigation exceeds the United States price, with the exception of display pagers produced by NEC for which we are waiving a bond or cash deposit requirement.

We found that the weighted-average margin for NEC is 21.13 percent. We found, however, that one model, the tone-only pager, accounts for 100 percent of the margin at this time. Thus, we are bifurcating the categories of pagers into two subsets, tone-only and display. By doing so, the rate for NEC's display pagers is *de minimis*, and is set at zero.

This suspension of liquidation will remain in effect until further notice. The weighted-average margins, as a percentage of the F.O.B. value, are as follows:

Manufacturer/seller/exporter	Weighted-average margin (percent)
MCI	109.06
NEC—tone-only pagers	70.35
NEC—display pagers	0.13
Other manufacturers/sellers/exporters all models	41.50

Where a company specifically listed above has not exported one of the products under investigation during the period for which we are measuring sales at less than fair value, the cash deposit or bond amount for that product shall be based on the highest rate for the investigated products that were exported by that company.

ITC Notification

In accordance with Section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If the ITC determines that such injury does exist, we will issue an antidumping order directing Customs officers to assess an antidumping duty on high-capacity pagers from Japan entered, or withdrawn from warehouse,

for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price. These determinations are being published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

William T. Archey,

Acting Assistant Secretary for Trade Administration.

(FR Doc. 83-10863 Filed 6-22-83; 8:45 am)

BILLING CODE 3510-25-M

Henry Ford Hospital; Decision on Application for Duty-Free Entry of Scientific Instrument

The following is a decision on an application for duty-free entry of a scientific instrument Pursuant to Section 6(c) of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Pub. L. 89-651, 80 Stat. 897) and the regulations issued pursuant thereto (15 CFR Part 301 as amended by 47 FR 32517).

A copy of the record pertaining to this decision is available for public review between 8:30 a.m. and 5:00 p.m. in Room 1523, Statutory Import Programs Staff, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, D.C. 20230.

Docket No. 83-74. Applicant: Henry Ford Hospital, 2799 West Grand Boulevard, Detroit, MI 48202. Instrument: NMR Spectrometer, Model TMR-32/200. Manufacturer: Oxford Research Instruments, United Kingdom. Intended use of instrument: See notice on page 57981 in the Federal Register of December 29, 1982.

Comments: No comments have been received with respect to this application.

Decision: Application approved. No instrument or apparatus of equivalent scientific value to the foreign instrument, for such purposes as this instrument is intended to be used, was being manufactured in the United States at the time the foreign instrument was ordered (October 26, 1981).

Reasons: The foreign instrument has a 20 centimeter bore size magnet. The Department of Health and Human Services advises in its memorandum dated April 20, 1983 that (1): The capability of the foreign instrument described above is pertinent to the applicant's intended purpose and (2) it knows of no instrument or apparatus of equivalent scientific value to the foreign instrument for the applicant's intended use which was being manufactured in the United States at the time the foreign instrument was ordered.

The Department of Commerce knows of no other instrument or apparatus of

equivalent scientific value to the foreign instrument, for such purposes as this instrument is intended to be used, which was being manufactured in the United States at the time the foreign instrument was ordered.

(Catalog of Federal Domestic Assistance Program No. 11.105, Importation of Duty-Free Educational and Scientific Materials)

Frank W. Creel,

Acting Director, Statutory Import Programs Staff.

(FR Doc. 83-10879 Filed 6-22-83; 8:45 am)

BILLING CODE 3510-25-M

Initiation of Countervailing Duty Investigation on Certain Refrigeration Compressors From the Republic of Singapore

AGENCY: International Trade Administration, Commerce.

ACTION: Initiation of Countervailing Duty Investigation.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether producers, manufacturers, or exporters in the Republic of Singapore of certain refrigeration compressors, as described in the "Scope of the Investigation" section below, receive benefits which constitute bounties or grants within the meaning of the countervailing duty law. If our investigation proceeds normally, we will make our preliminary determination on or before August 19, 1983.

EFFECTIVE DATE: June 23, 1983.

FOR FURTHER INFORMATION CONTACT:

John J. Kenkel or Melissa G. Skinner, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. (202) 377-3464 or 377-3530.

SUPPLEMENTARY INFORMATION:

Petition

On May 26, 1983, we received a petition from counsel for Tecumseh Products Company, a manufacture of smaller hermetic refrigeration compressors. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that producers, manufacturers, or exporters in Singapore of certain refrigeration compressors receive, directly or indirectly, bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (the "Act").

APPENDIX B

**Notice of Commission's Institution of Final
Antidumping Investigaion**

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

Investigation No. 731-TA-102 (Final)

CERTAIN RADIO PAGING AND ALERTING RECEIVING DEVICES

AGENCY: United States International Trade Commission.

ACTION: Institution of final antidumping investigation and scheduling of a hearing to be held in connection with the investigation.

EFFECTIVE DATE: February 1, 1983.

SUMMARY: As a result of an affirmative preliminary determination by the U.S. Department of Commerce that there is a reasonable basis to believe or suspect that imports from Japan of certain radio paging and alerting receiving devices, provided for in items 685.24 and 685.70 of the Tariff Schedules of the United States, are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. § 1673), the United States International Trade Commission hereby gives notice of the institution of Investigation No. 731-TA-102 (Final) under section 735(b) of the act (19 U.S.C. § 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. The Department of Commerce will make its final dumping determination in the case on or before June 11, 1983, and within 45 days of the Department of Commerce's determination the Commission will notify the Department of Commerce of its final injury determination (19 CFR § 207.25).

FOR FURTHER INFORMATION CONTACT: Bill Schechter, Investigator, Office of Investigations, U.S. International Trade Commission, telephone 202-523-0300.

SUPPLEMENTARY INFORMATION:

Background.--On October 4, 1982, the Commission notified the Department of Commerce that, on the basis of the information developed during the course of its preliminary investigation, there is a reasonable indication that an industry in the United States is threatened with material injury by reason of alleged LTFV imports of certain radio paging and alerting devices from Japan. The preliminary investigation was instituted in response to a petition filed on August 19, 1982, by counsel for Motorola, Inc., the largest domestic producer of radio paging and alerting receiving devices.

Participation in the investigation.--Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's Rules of Practice and Procedure (19 CFR § 201.11, as amended by 47 F.R. 6189, Feb. 10, 1982), not later than 21 days after the publication of this notice in the Federal Register. 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 entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to section 201.11(d) of the Commission's rules (19 CFR § 201.11(d), as amended by 47 F.R. 6189, Feb. 10, 1982). Each day

this investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR § 201.16(c), amended by 47 F.R. 33682, Aug. 4, 1982).

Staff report.--A public version of the staff report containing preliminary findings of fact in this investigation will be placed in the public record on June 10, 1983, pursuant to section 207.21 of the Commission's rules (19 CFR § 207.21).

Hearing.--The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m., on June 21, 1983, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on June 3, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m., on June 14, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is June 16, 1983.

Testimony at the public hearing is governed by section 207.23 of the Commission's rules (19 CFR § 207.23, as amended by 47 F.R. 33682, Aug. 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with section 207.22 (19 CFR § 207.22, as amended by 47 F.R. 33682, Aug. 4, 1982). Post hearing briefs must conform with the provisions of section 207.24 (19 CFR § 207.24, as amended by 47 F.R. 6191, Feb. 10, 1982) and must be submitted not later than the close of business on March 8, 1983.

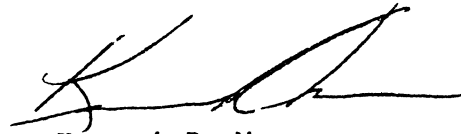
Written submission.--As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before June 28, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with section 201.8 of the Commission's rules (19 CFR § 201.8, as amended by 47 F.R. 6188, Feb. 10, 1982, and 47 F.R. 13791, Apr. 1, 1982). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of section 201.6 of the Commission's rules (19 CFR § 201.6).

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and C (19 CFR part 207, as amended by 47 F.R. 6190, Feb. 10, 1982, and 47 F.R. 33682, Aug. 4, 1982), and part 201, subparts A through E (19 CFR part 201, as amended by 47 F.R. 6188, Feb. 10, 1982; 47 F.R. 13791, Apr. 1, 1982; and 47 F.R. 33682, Aug. 4, 1982).

This notice is published pursuant to section 207.20 of the Commission's rules (19 CFR § 207.20, as amended by 47 F.R. 6190, Feb. 10, 1982).

By order of the Commission.

A handwritten signature in black ink, appearing to be 'K. R. Mason', written over a horizontal line.

Kenneth R. Mason
Secretary

Issued: February 18, 1982

APPENDIX C

Witnesses at the Commission's Hearing

TENTATIVE CALENDAR OF PUBLIC HEARING

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

Subject : Certain Radio Paging and Alerting
Receiving Devices

Inv. No. : 731-TA-102 (Final)

Date and time: June 21, 1983 - 10:00 a.m.

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

In support of the imposition of antidumping duties:

Covington & Burling--Counsel
Washington, D.C.
on behalf of

Motorola Inc.

George Fisher, General Manager of Paging Division

Merle Gilmore, Product Manager of Subscriber Paging
-- Paging Division

David Hixson, Corporate Attorney

John Battin, Vice President and General Manager,
Portable/Paging/Systems Group

James Wright, Strategic Marketing Manager, Paging
Division

Thomas Hopkins, Controller, Paging Division

William Bang, Sales Manager, Communications and
Electronics Sales Group

Harvey M. Applebaum)
Timothy A. Harr) --OF COUNSEL
Paul G. Gaston)

- 2 -

In opposition to the imposition of antidumping duties:

Weil, Gotshal and Manges--Counsel
New York, N.Y.
on behalf of

Matsushita Communication Industrial Company, Ltd.

ICF Incorporated, Washington, D.C.

John G. Reilly, Principal

P. Lance Graef, Project Manager

Carl Mathis, National Sales Manager, Telecommunications Group, Industrial Sales Division, Panasonic Industrial Company

A. Paul Victor)
Charles Bayar)--OF COUNSEL
Mariam Cutler)

Coudert Brothers--Counsel
Washington, D.C.
on behalf of

NEC Corporation

Donald Scherzer, National Marketing, Inc.,
Little Rock, Arkansas

Arthur Peters, President of Arthur Peters Consulting Engineers, Gainesville, Florida

S. Watanobe, Give President and General Manager,
NEC Corporation

Michael J. Calvey)
Mark D. Herlach)--OF COUNSEL
Steven H. Becker)

APPENDIX D
BASIC RADIO PAGING SYSTEM

BASIC RADIO PAGING SYSTEMS

A radio paging and alerting system is a radio broadcast system which can deliver messages (usually short) to individual subscribers equipped with special receivers. In the most basic systems the paging receiver simply alerts the subscriber that he or she has a message waiting at some prearranged location such as the paging company offices or the subscriber's own home or office. The subscriber must then either call the office or stop by to receive the message. Paging systems deliver signals in only one direction, from the transmitter to subscriber's receiver. The paging system consists of transmitters, encoders, and paging receivers.

Typically, the system employs one or more transmitters and encoders to broadcast address coded messages. In a basic system, the coded message is the electronic address of an individual radio paging receiver. The receiver is so designed as to respond only to its own coded address receiver. Thus a single transmitter can send messages (or alert signals) to a number of individual subscribers each of whom carry receivers with different electronic addresses. To put it another way, the transmitter station, by appropriate message encoding can select the individual subscriber to whom a message is sent.

In the basic system, the individual paging receiver once alerted by the transmitter simply emits an audible alarm such as a high-pitched note or musical tone. Thus is derived the name tone-only pager or, in the vernacular, "beeper." In this simple tone-only paging system the individual subscriber must have a prearranged understanding as to the meaning of the alert signal.

The paging transmitter operates on a single frequency and broadcasts to many receivers. The radio frequencies generally used for paging services are line of sight (or nearly so), and thus, if large areas are to be covered,

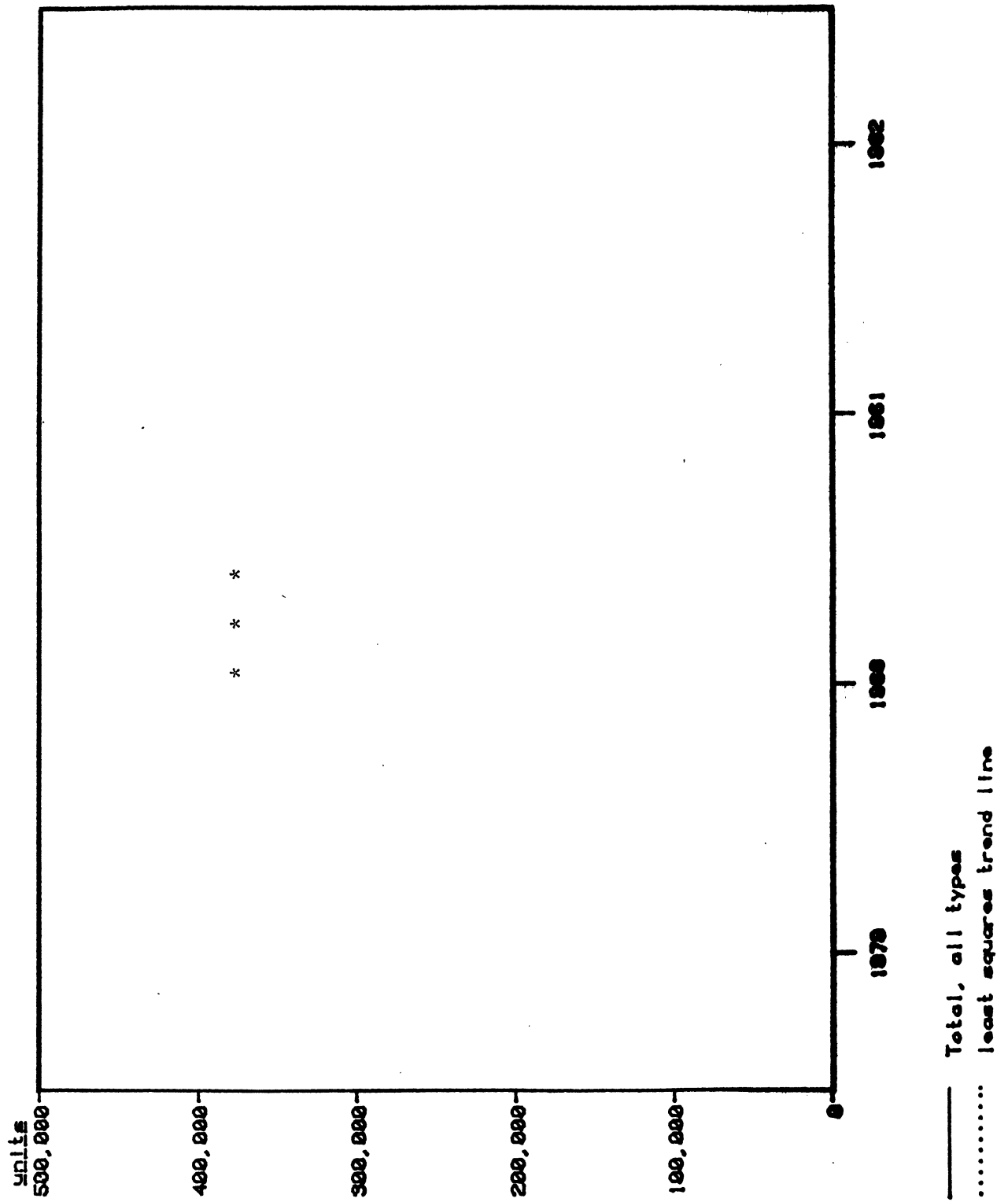
several transmitters may be required. In high-rise, congested metropolitan areas, several transmitters are used to overcome the shadows or multipath reflections created by tall buildings.

The address message encoder converts the numerical address of a subscriber into the electronic signal format which can be recognized by the individual receiver. There are two principal types of encoders, manual and automatic. The manual encoder requires an operator to key in the address numbers. The automatic encoders can be connected to the incoming phone lines in the paging company office and will create a paging address directly from telephone dial signals without human intervention.

In operation, someone wishing to page a subscriber calls the paging company as shown in the diagram on page A-5 with a short message for the subscriber. Depending on the type of receiver available to the subscriber, the message is either delivered directly to the subscriber's receiver, or the receiver simply alerts the user that a message is waiting at the paging company office (or other prearranged location).

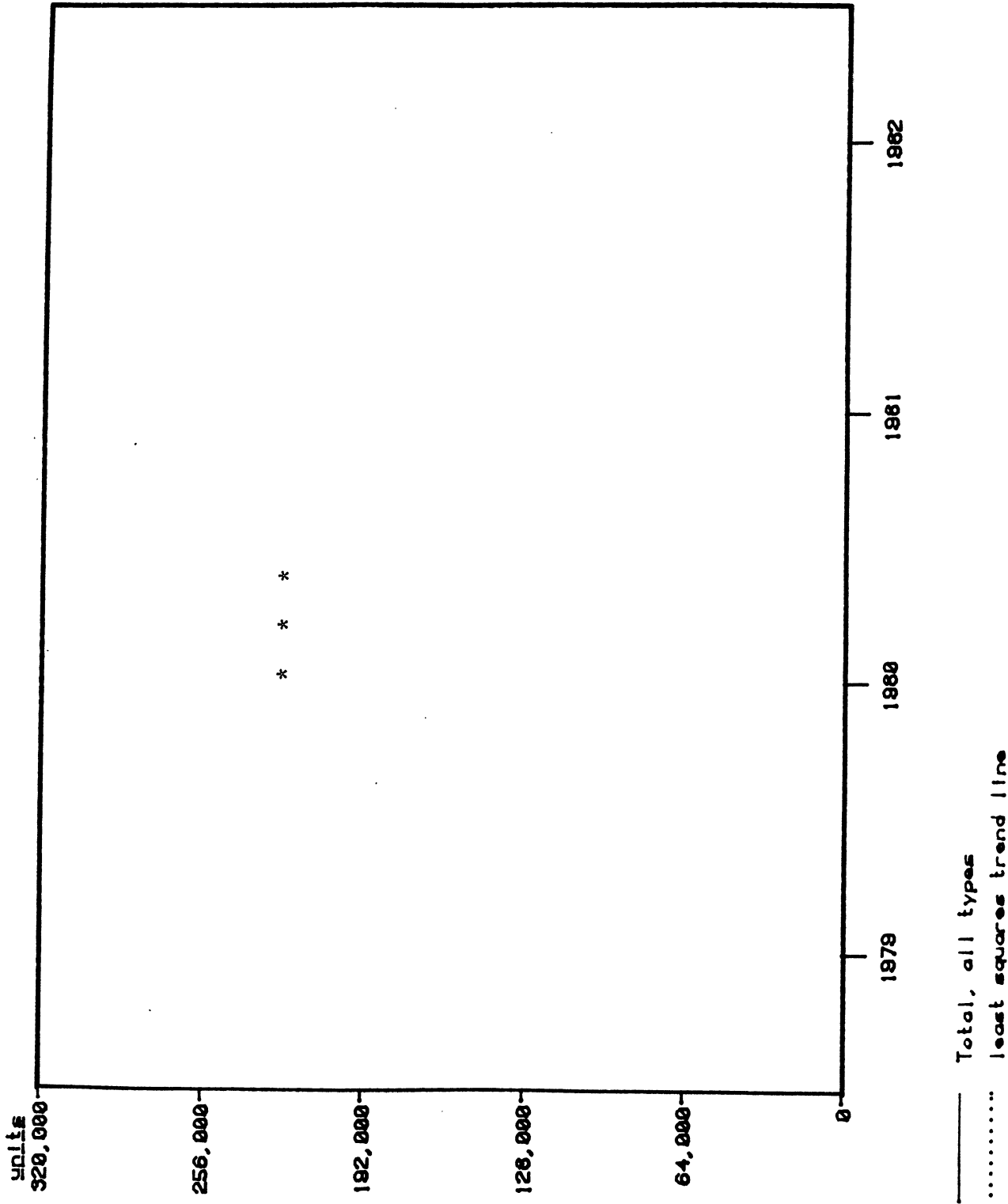
APPENDIX E
TREND DIAGRAMS

Figure 2.--High-capacity pagers: Apparent U.S. consumption
of all types of pagers, 1979-1982



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

Figure 3.--High-capacity pagers: Motorola's total U.S. shipments
of all types of pagers, 1979-1982



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

Figure 4.--High-capacity pagers: Motorola's U.S. shipments of
their Metrx pager, 1979-1982

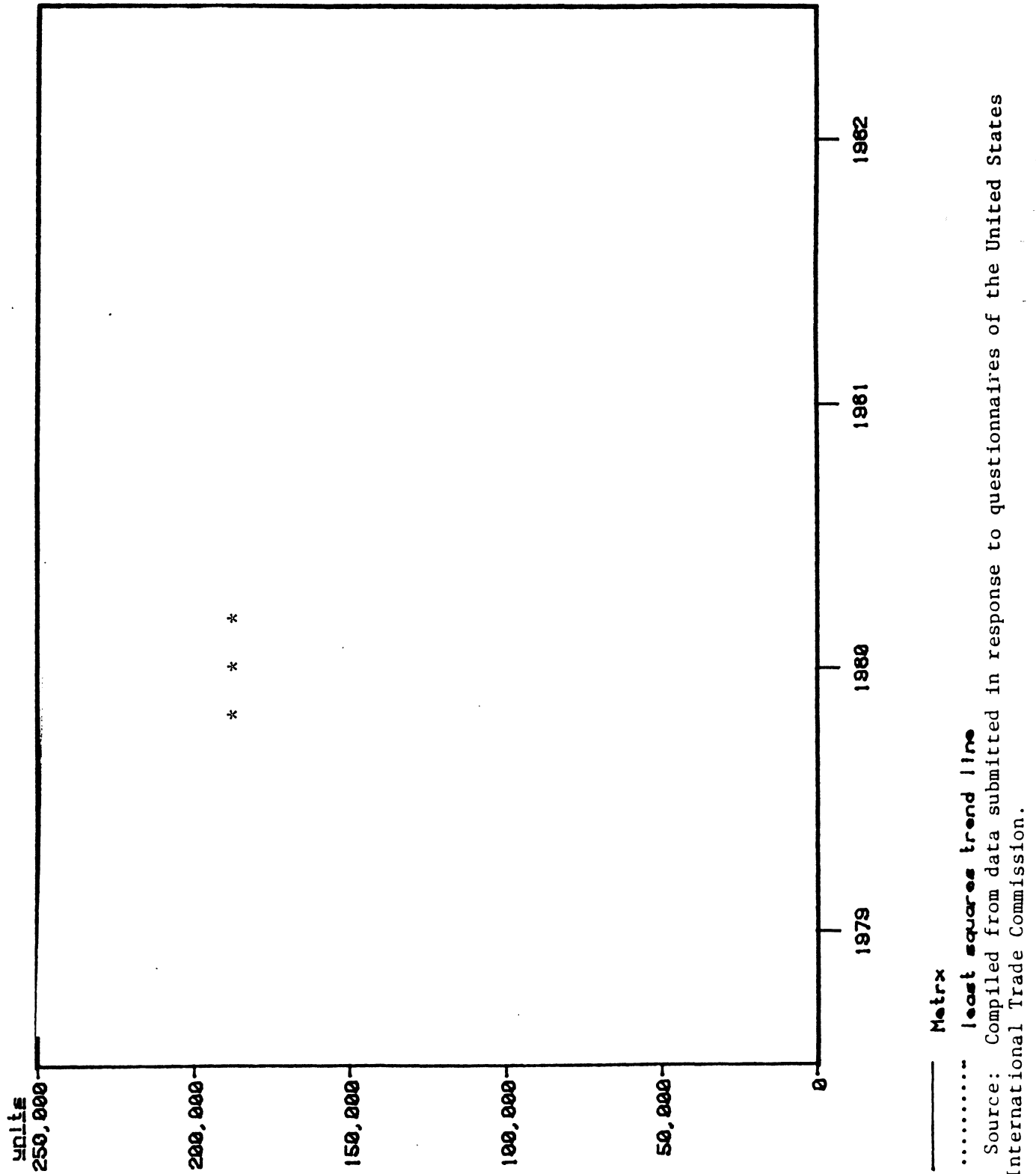


Figure 5.-- High-capacity pagers: Motorola's U.S. shipments of their Metro-Pageboy pager, 1979-1982

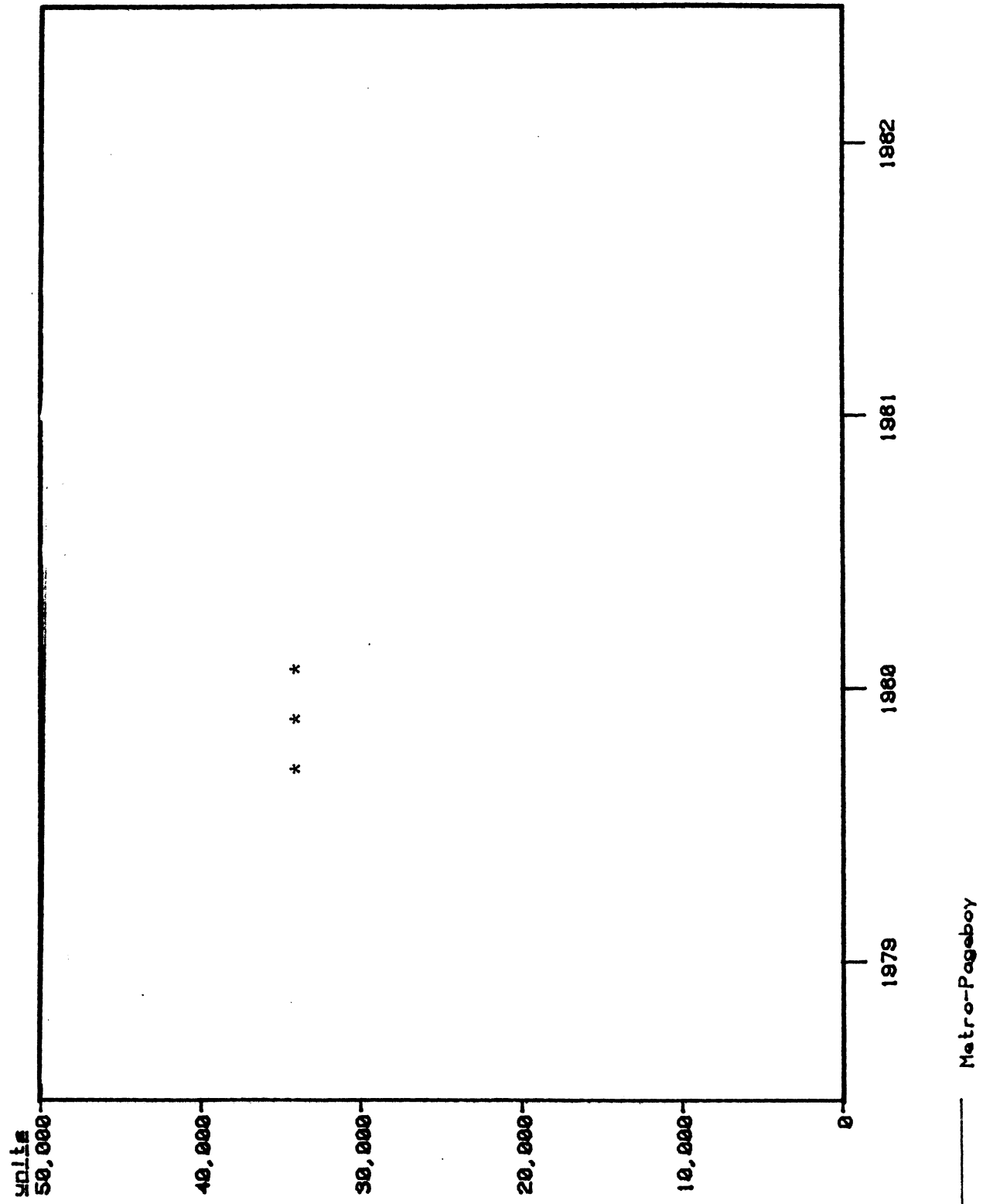
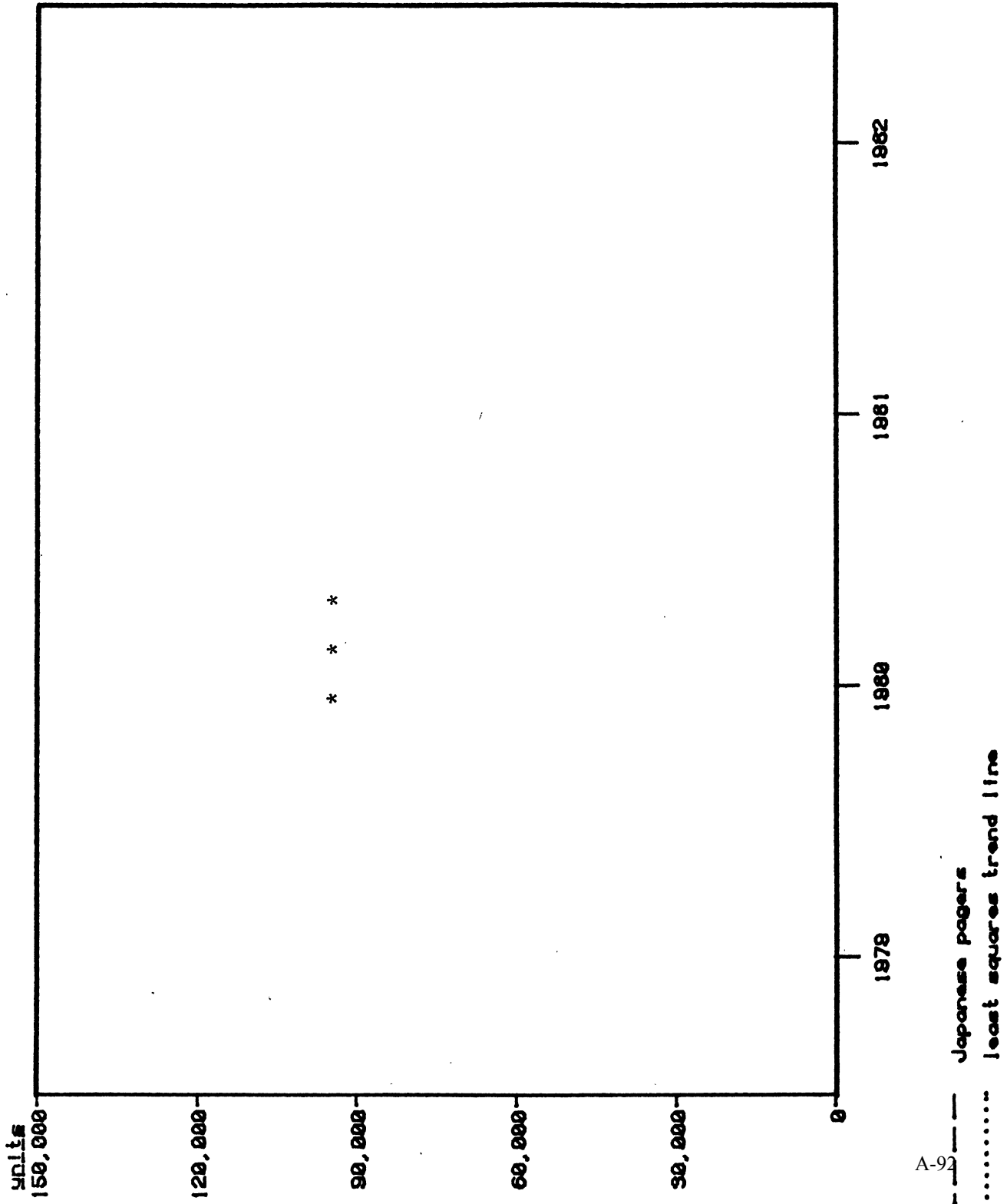


Figure 6.--High-capacity pagers: U.S. Imports for consumption from Japan
of all types of pagers, 1979-1982



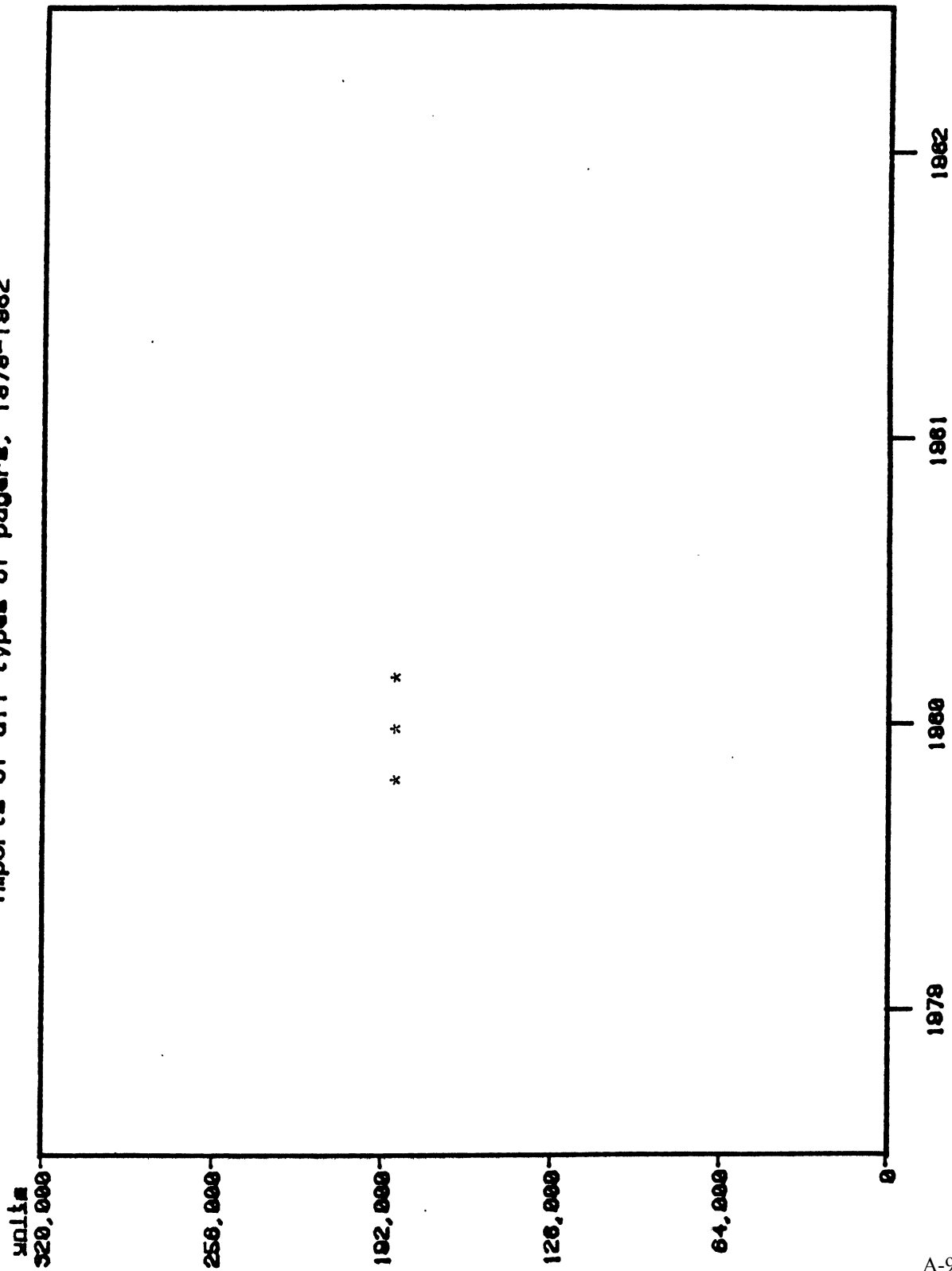
A-92

Japanese pagers

least squares trend line

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

Figure-7 High-capacity pagers: Motorola's total U.S. shipments
of all types of pagers and total Japanese
imports of all types of pagers, 1978-1982



A-93

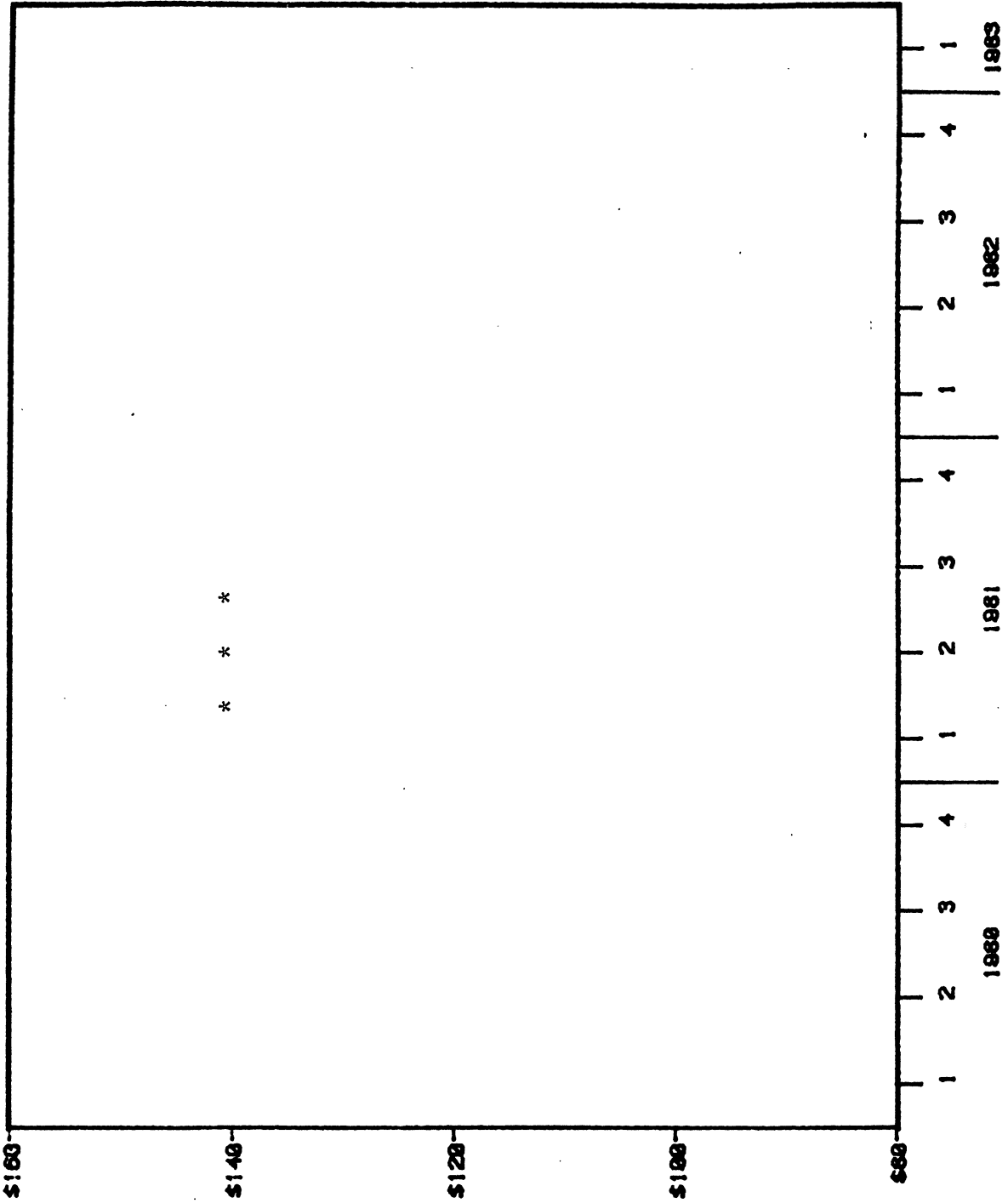
— Motorola's pagers

- - - Japanese pagers

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

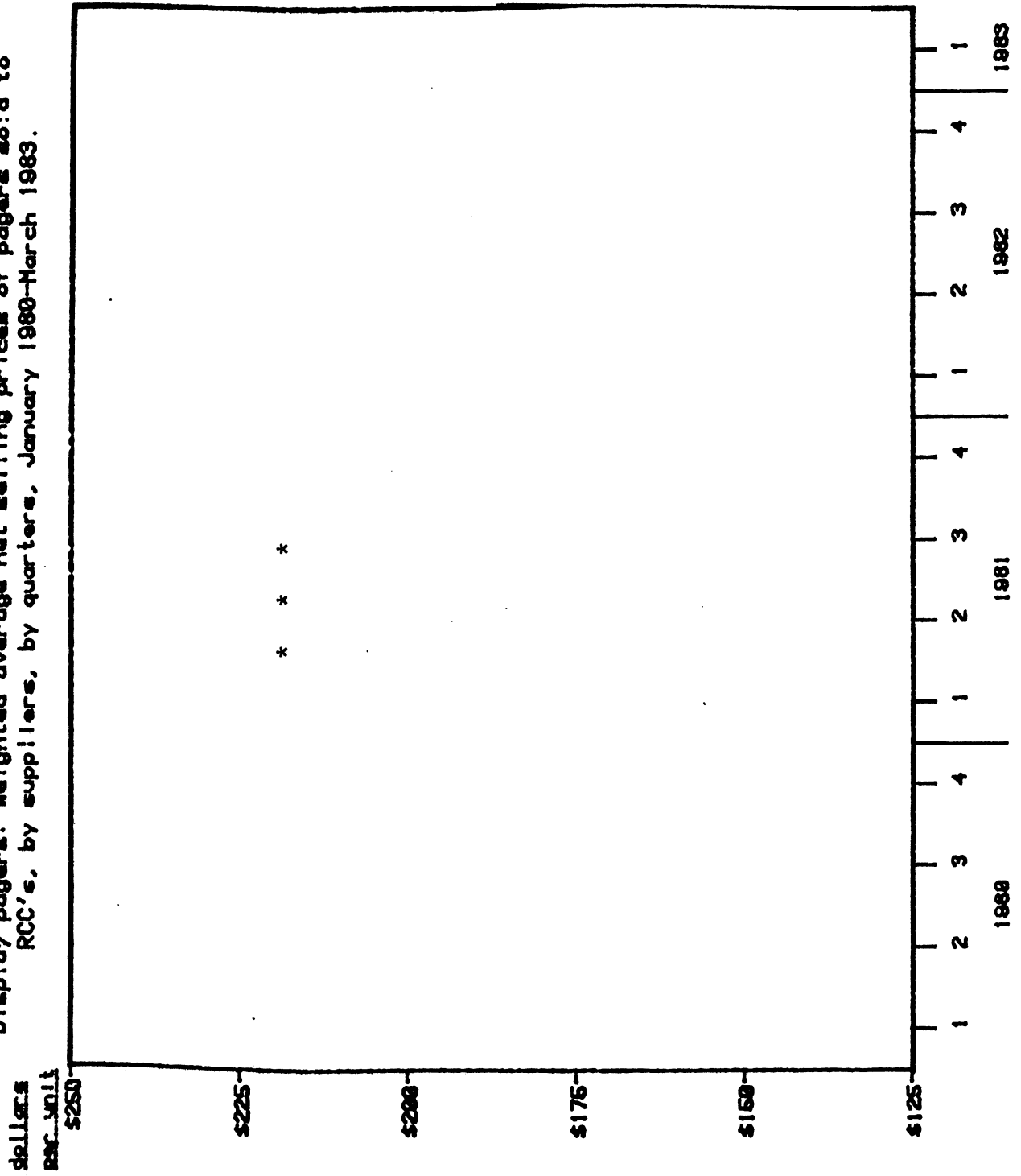
Figure 8
Metrix-like pagers: Weighted average selling prices of pagers sold to
RCC's, by suppliers, by quarters, January 1980-March 1983.

dollars
per unit



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

Figure 9
Display pagers: Weighted average net selling prices of pagers sold to
RCC's, by suppliers, by quarters, January 1980-March 1983.



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

APPENDIX F

Customs Ruling and Recission thereof



A-97
DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
WASHINGTON



REFER TO

JUN 07 1983

MAR-2-05 CO:R:E:E
721474 FBO

Dear Mr. Kashdan:

This is in response to your letters of February 22 and February 24, 1983, concerning alleged country of origin marking violations of a paging system imported by Motorola under the tradename "METRX." Our response to your inquiry is contained in the enclosed ruling.

Sincerely,

Donald W. Lewis
Director, Entry Procedures
and Penalties Division

Alan Kashdan, Esq.
Fried, Frank, Harris,
Shriver & Kampelman
600 New Hampshire Avenue, NW.
Washington, D.C. 20037

Enclosure



A-98
DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
WASHINGTON



JUN 07 1983

REFER TO

MAR-2-05 CO:R:E:E
721474 FBO

This ruling concerns the country of origin marking requirements for imported paging devices.

ISSUE:

Whether imported paging devices need to be individually marked with the country of origin or whether they are substantially transformed in the United States after importation.

FACTS:

An importer imports a paging device. Paging devices such as those marketed by the importer, together with a sending or transmitting station, constitute a radio paging system. The sending or transmitting station includes an encoder and a radio transmitter. The encoder develops a coded signal assigned to a specific paging device activated by the radio signal. The radio signal is transmitted on an assigned frequency. A paging device consists of a receiver board which receives the radio message, a decoder board which decodes the message and activates an alerting device (which may consist of a tone signal, a flashing light, or a silent vibrating device), and a simple inexpensive plastic case. A paging device also may include a voice message device or a display feature capable of relaying to the subscriber a short multi-character message on a display screen.

Information has come to the attention of domestic concern indicating that the importer may be importing certain high capacity paging devices into the United States under TSUS Item 807.00 in violation of the country of origin marking requirements of 304 of the Tariff Act.

A-98

-2-

The principal type of paging device marketed by the importer in the United States is sold under a trade name. The importer produces subassemblies for its pagers in its facility abroad. Substantially completed paging devices are then exported to the importer's plant in the U.S. for final assembly. These subassemblies enter the United States under TSUS Item 807.00 as American components assembled abroad. The receiver board and the decoder board are marked to show Malaysia as the country of origin.

The importer performs processes of final assembly and testing at its U.S. facility. These processes include the unpacking of the imported paging device subassemblies, insertion of the customer crystal, programming and insertion of the pager address "code plug," radio realignment, final testing and repackaging for shipment.

Completed paging devices are encased in a plastic housing on which the trade name appears. This plastic housing is added as part of the final processing performed by the importer in its U.S. facility. The plastic housing, however, is not marked to indicate the Malaysian origin of the paging devices.

LAW AND ANALYSIS:

Section 304 of the Tariff Act of 1930, as amended, (19 U.S.C. 1304), provides generally that all articles of foreign origin imported into the United States must be legibly and conspicuously marked to indicate the English name of the country of origin to an ultimate purchaser in the United States.

-3-

Section 134.1(d)(1) of the Customs Regulations (19 CFR 134.1(d)(1)), holds the manufacturer to be the "ultimate purchaser" if he subjects the imported article to a process which results in a substantial transformation, changing the character and use of the imported article which loses its identity in the manufacturing process. Substantial transformation means that the manufacturing process is performed on an item so that the item loses its identity and becomes an integral part of a new article with a new name, character and use (United States v. Gibson-Thomson Co., Inc., 27 C.C.P.A. 267, C.A.D. 98).

The process performed on the paging systems in the United States does not substantially transform the article. The crucial aspects of manufacturing are performed in Malaysia.

HOLDING:

To meet the country of origin marking requirements of 19 U.S.C. 1304, the paging devices must be individually marked on the plastic case.



Donald W. Lewis
Director, Entry Procedures
and Penalties Division



DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
WASHINGTON



RECEIVED JUN 17 1983

REFER TO

15 JUN 1983

MAR -2-05 CO:R:E:E
721474 FOB

Dear Mr. Kashdan:

This is to inform you that Ruling Number 721474 dated June 7, 1983, is withdrawn pending reconsideration of this case. The attorneys for Motorola, Inc., are being given the opportunity to make a written presentation within thirty days of the date of this letter.

Sincerely,

Donald W. Lewis
Director, Entry Procedures
and Penalties Division

Alan Kashdan, Esq.
Fried, Frank, Harris,
Shriver & Kampelman
600 New Hampshire Avenue, NW.
Washington, D.C. 20037

HAR -2-05 CO:R:E:E
722390 FOB

June 15, 1983

Dear Mr. Lehman:

This is in response to your letter of June 15, 1983, concerning a ruling made by the United States Customs Service on June 7, 1983, concerning the country of origin marking requirements of paging devices. We are notifying you that we are withdrawing that ruling. The matter will be reconsidered based upon a written submission to be made by your client, Motorola, Inc., within thirty days of the date of this letter.

Sincerely,

(Signed) Donald W. Lewis

Donald W. Lewis
Director, Entry Procedures
and Penalties Division

Leonard Lehman, Esq.
Barnes, Richardson & Colburn
1819 H Street, NW.
Washington, D.C. 20006

CO:R:E:EO'Brien:DC:6/16/83

APPENDIX G

**Lost Sales Section
731-7A-102 (Preliminary)**

MCI began offering its tone-only pager in the United States in late 1981 at a price of about * * *. At that time, Motorola's list price (the price it quotes customers) stood at * * *. * * *.

As mentioned previously, neither Motorola nor MCI sold display pagers in the United States during the period of this investigation. * * *.

Lost sales

Motorola supplied the Commission with a list of eight firms to which it allegedly lost sales because of imports from Japan. The alleged lost sales involved approximately * * * high-capacity pagers having an average offering price of * * * or a total value of * * *. These lost sales were reported to have occurred during June 1980-June 1982.

The Commission contacted all eight purchasing firms, and confirmed that six of the purchasers had shifted from domestic to Japanese suppliers. Price was identified as a major factor in three of these shifts. Price also appeared to be a factor in a fourth lost sale. Several of the companies said quality and ease of maintenance were important considerations in deciding to purchase the Japanese pagers. One company, ICS advised that technical differences between the Japanese and U.S. pagers were its primary concern, * * *.

Two of the companies Motorola cited in its allegations would not discuss the sales with the Commission's staff.

Details of the six shifts in suppliers are as follows:

Purchasing company	:	Japanese company	:	Quantity involved	:	Domestic offered price	:	Foreign offered price
1. ICS-----	:	MCI	:	***	:	***	:	***
2. Gencom-----	:	MCI	:	***	:	***	:	***
3. * * *-----	:	* * *	:	***	:	***	:	***
4. * * *-----	:	* * *	:	***	:	***	:	***
5. * * *-----	:	* * *	:	***	:	***	:	***
6. * * *-----	:	* * *	:	***	:	***	:	***
1/ * * *.								
2/ * * *.								

Motorola alleged that it lost a sale of * * * pagers to * * * in late 1981, the * * * cited in its lost-sales allegations. ICS, the major radio common carrier (RCC) in the Los Angeles area, confirmed that it chose MCI to supply * * * tone-only pager units, * * *. However, in its submission to the record (September 8, 1982), ICS maintained that Motorola failed to offer a POCSAG pager in response to ICS' bid announcement. ICS said that it had specified POCSAG pagers in that announcement because of its pressing need to use the channels more efficiently. Motorola does not sell a POCSAG pager in the United States, but the company claims that it can make the signaling speed of its pagers operate as fast as that of the MCI model, a factor which influences how efficiently the channels are used.

ICS paid * * * for the MCI units (based upon ICS' reported imports of pagers from Japan). That price is * * *. On the basis of a purchase of * * * units, ICS saved * * * by buying the Matsushita pager.

* * * * *

Another alleged lost sale also involved MCI. Motorola alleged that it lost sales of * * * units to Gencom, a major RCC located in Dallas, Tex. The purchasing manager stated that the company had contracted in 1981 to buy * * * tone-only pager units from MCI for delivery in 1982. According to Gencom's questionnaire response, it received * * * units in 1982 at an average cost of * * * per unit, which was * * *. Assuming a purchase of * * * units, the company saved * * * by purchasing the MCI product. In the October 30, 1981, issue of Telocator Bulletin, the former president of Gencom is quoted as saying that Motorola could not meet MCI's competitive price. 1/ The Commission could not get formal confirmation of that statement. The Gencom spokesman claimed that Motorola * * *.

According to Motorola, approximately * * * units were involved in lost sales to * * *.

Motorola alleged that it lost sales to * * * of about * * * units purchased by * * * in 1980 and 1981.

* * * * *

1/ Telocator Bulletin, Oct. 30, 1981, p. 1.

