

TUBELESS STEEL DISC WHEELS FROM BRAZIL

**Determination of the Commission
in Investigation No. 731-TA-335
(Preliminary) Under the
Tariff Act of 1930,
Together With the Information
Obtained in the Investigation**



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal the confidential operations of individual concerns may not be published and, therefore, has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-335 (Preliminary)

TUBELESS STEEL DISC WHEELS FROM BRAZIL

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured 3/ 4/ by reason of imports from Brazil of certain tubeless steel disc wheels, 5/ provided for in item 692.32 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On May 23, 1986, a petition was filed with the Commission and the Department of Commerce by the Budd Co., Wheel & Brake Division, Farmington Hills, Michigan, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports from Brazil of certain tubeless steel disc wheels. Accordingly, effective May 23, 1986, the Commission instituted preliminary antidumping investigation No. 731-TA-335 (Preliminary).

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/ Chairman Liebelier dissenting.

3/ Vice Chairman Brunsdale determines that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of the subject merchandise.

4/ Commissioner Stern determines that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of certain tubeless steel disc wheels from Brazil.

5/ Such wheels are designed to be mounted with pneumatic tires and are suitable for use on class 6, 7, and 8 trucks, including tractors, and for use on semi-trailers.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of June 5, 1986 (51 F.R. 20558). The conference was held in Washington, DC, on June 16, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF VICE CHAIRMAN ANNE BRUNSDALE, AND COMMISSIONERS
PAULA STERN, ALFRED E. ECKES, SEELEY LODWICK, AND DAVID ROHR

We determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Brazil of certain steel disc wheels for tubeless tires which are allegedly sold at less than fair value (LTFV). 1/ 2/ 3/ 4/

The domestic industry producing steel disc wheels (SDWs) for tubeless tires prospered when demand for the product surged in 1984. However, a sharp increase in the volume of tubeless SDW imports from Brazil and other sources followed the rise in domestic consumption.

Since the first quarter of 1985, although apparent consumption has decreased only slightly, almost all performance indicators for the domestic industry have declined significantly. In the latest quarter for which we have data, the domestic industry as a whole operated at a loss.

Domestic producers have lost a substantial share of the market to imports, including the allegedly LTFV imports from Brazil. Further, domestic prices have declined since mid 1985. Underselling by the Brazilian imports appears to have been a factor in these developments. Thus, the information gathered in this preliminary investigation provides a reasonable indication of a causal link between material injury to the domestic tubeless SDW industry

1/ Such wheels are designed to be mounted with pneumatic tires and are suitable for use on class 6, 7, and 8 trucks, including tractors, and for use on semi-trailers.

2/ Vice Chairman Brunsdale finds that there is a reasonable indication of threat of material injury by reason of the subject imports.

3/ Commissioner Stern finds that there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of the allegedly LTFV imports from Brazil.

4/ Material retardation of an industry is not an issue in this investigation and will not be discussed further.

and the allegedly LTFV imports from Brazil.

Like product and the domestic industry ^{5/}

In this case, the article subject to investigation covers imports from Brazil of steel disc wheels designed to be mounted with tubeless pneumatic tires, suitable for use on class 6, 7, and 8 trucks (including tractors) and for use on semi-trailers (tubeless SDWs). ^{6/} In other words, the article subject to investigation consists of tubeless SDWs from Brazil with a diameter equal to or greater than 22.5 inches. ^{7/}

A tubeless SDW consists of a rim and a steel disc, produced separately and then welded together. ^{8/} The rim holds the tubeless tire in place and the disc both centers the rim and attaches the rim to the axle. ^{9/} Tubeless SDWs complement the longer tire life and stability of a tubeless radial tire. ^{10/} There are no significant physical differences between tubeless SDWs imported from Brazil and tubeless SDWs produced in the United States. ^{11/}

Petitioner asserts that the like product is domestically produced tubeless SDWs and that the domestic industry consists of the three domestic

^{5/} The term "industry" is defined as "the domestic producers as a whole of the like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 19 U.S.C. § 1677(4)(A). In turn, the term "like product" is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation" 19 U.S.C. § 1677(10).

^{6/} See 51 Fed. Reg. 21952-53 (June 17, 1986).

^{7/} Wheels for class 6, 7, and 8 vehicles have a diameter of 22.5 inches or more and wheels for class 1 through 5 vehicles have a diameter of less than 22.5 inches. See Report of the Commission (Report) at A-20; Petition at 7; Transcript of the Conference (Tr.) at 65.

^{8/} Report at A-2.

^{9/} Id.

^{10/} Tr. at 32, 38, and 45.

^{11/} E.g., Id. at 53.

manufacturers that produce them. The parties opposing the petition do not object to these definitions. ^{12/} The Commission has considered, first, whether to include within the definition of the domestic industry, production and sales of tubeless SDWs for class 1 through 5 vehicles and, second, whether to include wheels other than tubeless SDWs. Because wheels other than tubeless SDWs for class 6, 7, and 8 trucks differ significantly in their size, characteristics, and uses, we determine that they are not part of the like product. ^{13/}

We find that the like product consists of steel disc wheels for tubeless tires, designed to be mounted with pneumatic tires and suitable for use on class 6, 7, and 8 trucks, including tractors, and for use on semi-trailers.

^{12/} Id. at 116.

^{13/} Classes 6-8 include medium and heavy-duty trucks (gross vehicle weight of 19,501 pounds or more) constructed for wheels of 22.5 inch or larger diameter. Classes 1-5 include passenger cars, pickup trucks, and similar vehicles (gross vehicle weight of 19,500 pounds or less). They are constructed for smaller diameter wheels and must be substantially modified if wheels of 22.5 inch or greater diameter are to be used on them.

Tubed SDWs, although resembling tubeless SDWs, contain an additional "side ring" which must be joined to the rim of the wheel. Tubed tire rims and tubeless tire rims use different types of steel. Id. at 17 and 38. Tubed SDWs sell for about twice as much as tubeless SDWs. Id. at 52.

Cast spoke and demountable rim wheels (CSDRW) are two-piece units in which the rim may be demounted from the cast spoke hub. SDWs and CSDRWs are physically different and, once a truck or semi-trailer is constructed, SDWs and CSDRWs are not interchangeable; axles that accept SDWs do not accept the CSDRWs. Id. at 17. The price difference between the two systems is "minor." Id. at 47. SDWs run truer than CSDRWs and are more compatible with the desired performance characteristics of radial tires. Id. at 18. Tubeless SDWs have replaced CSDRWs, rather than tubed SDWs. Id. at 52-53.

Aluminum disc wheels are "machined from an aluminum forging by a nontraditional wheel maker such as Alcoa." Id. at 16. About three times more expensive than an SDW, Id. at A-3, it is used by private tractor owners who like its shiny appearance and in applications where maximum vehicle payload within gross vehicle weight limits is critical. See Report at A-38; Staff Field Notes of June 10, 1986. Its performance characteristics do not differ from those of SDWs for tubeless tires.

Vice Chairman Brunsdale does not associate with the discussion of like product in this note. See infra, note 14, for her views.

The domestic industry consists of the domestic producers of tubeless SDWs, namely the Wheel and Brake Division of the Budd Co. (petitioner), Firestone Steel Products Div. (a wholly owned subsidiary of Firestone Tire & Rubber Co.), and Motor Wheel Corp. (a wholly owned subsidiary of Goodyear Tire & Rubber Co.). ^{14/}

Condition of the domestic industry ^{15/}

Demand for tubeless SDWs was limited throughout 1983. This was largely attributable to the sluggish domestic economy and to anticipated government regulations affecting the maximum allowable length of semi-trailers which encouraged trailer manufacturers to postpone purchases of trailers and trailer components, including wheels.

Once the regulations were enacted, the certainty they provided, along with the strength of the economic recovery, released "pent-up" demand for SDWs. Domestic consumption of SDWs nearly doubled from 1.20 million units in 1983 to 2.25 million units in 1984. ^{16/} Although apparent domestic consumption is down slightly from 1984, demand for SDWs remains strong when compared to 1983, as evidenced by domestic consumption of 2.15 million units in 1985. Interim data show that domestic consumption in 1986 is fairly close

^{14/} Vice Chairman Brunsdale intends to reexamine fully the questions of like product and domestic industry should there be a final investigation. As noted, there are several types of wheels, other than tubeless SDWs, used on class 6, 7, and 8 trucks. In making its determination of like product, the Commission needs to examine the degree to which these other wheels are close substitutes for tubeless SDWs. On the basis of the preliminary investigation, there is insufficient information to assess these substitution relationships. The Vice Chairman, however, for purposes of this preliminary investigation, concurs with the findings of her colleagues.

^{15/} The data gathered in this investigation cover 1983 through March 1986.

^{16/} Report at Table 2.

to 1985 levels. ^{17/}

Although the economic performance of the domestic industry clearly responded to the strength in the market for tubeless SDWs in 1984 and 1985, its performance has shown significant declines after loss of market share to imports in 1985, even though the market (as measured by domestic consumption) has declined only slightly.

U.S. production increased from 988,000 units in 1983 to 1.5 million units in 1984 before dropping to 1.2 million units in 1985. ^{18/} During January-March 1986, production declined to 250,000 units compared to 392,000 units in the same period of 1985. ^{19/} Capacity utilization increased substantially from 1983 to 1984, when it reached 107.2 percent, before dropping to 86.7 percent in 1985. ^{20/} In the first quarter of 1986 capacity utilization fell to 73.7 percent from 114.9 percent in the first quarter of 1985. ^{21/}

Domestic shipments followed the same trend as production, increasing from 1.0 million units in 1983 to 1.6 million units in 1984, then declining to 1.1 million units in 1985. ^{22/} Shipments during the January-March 1986 period dropped to 242,000 units from 367,000 units in the comparable period of 1985. ^{23/} Domestic producers' share of apparent domestic consumption declined from 84.2 percent in 1983 to 50.8 percent in 1984 and further declined from 72.2 percent during January-March 1985 to 48.9 percent during

^{17/} Id. See also Tr. at 60.

^{18/} Report at Table 3.

^{19/} Id.

^{20/} Id. 1984 capacity figures apparently reflect overtime work by domestic producers.

^{21/} Id.

^{22/} Id. at Table 4.

^{23/} Id.

January-March 1986. ^{24/}

The number of production and related workers and the hours they worked both increased significantly from 1983 to 1984 and then declined slightly in 1985. Wages paid and total hourly compensation increased throughout the period of investigation. Productivity declined by 24.9 percent from 1983 to 1985 and declined further in the first quarter of 1986. ^{25/}

Domestic producers provided financial data for their tubeless SDW operations. Net sales for tubeless SDW operations rose from \$57.0 million in 1983 to \$91.5 million in 1984, then declined to \$85.7 million in 1985. Net sales declined again from \$32.5 million during January-March 1985 to \$23.4 million for January-March 1986. After experiencing net operating losses of \$2.9 million in 1983, the industry achieved net operating income of \$3.5 million in 1984. Net operating income fell to \$3.1 million in 1985, and further declined from \$1.9 million in January-March 1985 to losses of \$992,000 in January-March 1986. ^{26/}

The ratio of net operating income to net sales is a revealing financial figure in this investigation. In 1983, the ratio was minus 5.1 percent. In 1984, the banner year for this industry, the ratio reached 3.8 percent. The ratio declined slightly during 1985 and fell precipitously from 5.9 percent in January-March 1985 to minus 4.2 percent in January-March 1986. ^{27/}

In sum, the domestic industry appears to have benefitted from the record levels of demand in 1984. Since the first quarter of 1985, however, it has

^{24/} Id. at Table 2.

^{25/} Id. at Table 7. The declines in worker productivity are not explained in the information in this investigation. In the event of a final investigation, we will explore this question thoroughly.

^{26/} Id. at Table 10.

^{27/} Id.

shown consistent declines in almost all major indicators even though the market for tubeless SDWs remains quite strong. We conclude that there is a reasonable indication that the domestic industry is materially injured. 28/ 29/ 30/

Reasonable indication of material injury by the subject imports 31/

Domestic consumption of tubeless SDWs increased significantly from 1983 to 1984 but domestic producers lacked sufficient productive capacity to

28/ Vice Chairman Brunsdale does not conclude that the domestic industry is currently materially injured. She notes that 1984 and 1985 were both profitable years and that operating income in 1985 almost matched that for 1984. Report at Table 11. However, there was a decline in the financial picture for the first quarter of 1986. If this decline should continue and thereby constitute a solid trend, this industry could suffer material injury.

29/ Commissioner Stern does not regard it as analytically useful or appropriate to consider the question of material injury separate from the question of causation. See Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 at 18-19 (Dec. 1985) (Additional Views of Chairwoman Stern).

30/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. See Cellular Mobile Telephones and Subassemblies Thereof from Japan, supra, at 20-21.

31/ Vice Chairman Brunsdale does not join in this section of the opinion. For her views on causation, see Additional Views of Vice Chairman Brunsdale, infra.

satisfy the demand for the product. ^{32/} The levels of demand in 1984 caused domestic producers of SDWs to put their customers on allocation programs. Allocation preferences were given to original equipment manufacturers over aftermarket distributors. ^{33/}

Domestic distributors sought overseas sources of supply and found sources in Brazil. Tubeless SDWs from Brazil began to enter the U.S. market toward the end of 1984. Respondents argue that there could be no injury by reason of the imports from Brazil because they entered only to fill in the shortfall between domestic demand and production. ^{34/} Petitioner, while not disputing that domestic producers were allocating production during 1984, asserts that the Brazilian imports did not enter until the end of the allocation period, ^{35/} so that the imports did not merely fill a gap. ^{36/ 37/}

The original presence of Brazilian tubeless SDWs in the domestic market apparently was occasioned by the domestic producers' inability to meet market

^{32/} Although domestic producers' capacity increased from 1983 to 1984, this increase was clearly insufficient to meet 1984 demand, even when domestic producers' 1983 carryover inventories from 1983 are added to 1984 production. Id. at Tables 3 and 6.

^{33/} Tr. at 83.

^{34/} Respondents' Brief in Opposition to the Petition (Respondents' Brief) at 2. Although their arguments are directed primarily to the issue of causation, respondents do not concede the question of injury.

^{35/} Tr. at 50. See Id. at 61.

^{36/} Id. at 71-72, 83. Petitioner's customers were on allocation programs during March-September 1984 and at least one other domestic producer had its customers on allocation. See Report at A-37. The information of record suggests that some sort of rationing system remained in effect at least into the first quarter of 1985. Should there be a final investigation in this matter, we will examine this matter in detail.

^{37/} We note that domestic producers' capacity still remains below apparent domestic consumption. Report at Tables 2-3.

demand. The volume of Brazilian imports probably did not affect domestic production and shipments during the allocation period.

However, this does not mean that Brazilian imports during the allocation period had no impact whatsoever on the domestic industry. On average, those imports undersold the corresponding sizes of domestic production in all quarters for which data are available. ^{38/}

Following the allocation period, imports from Brazil declined. Respondents argue that imports from Brazil therefore could not have affected the domestic industry following the allocation period. They argued that low-priced imports from Japan are the price leaders in the market and claim that U.S. producers' prices did not decline despite the Brazilian presence in the market until the price of Japanese imports was reduced in 1985. ^{39/}

The data in this investigation generally show the U.S. product to be the highest priced, with the Brazilian and Japanese product generally selling for less. Prices for the Japanese product have been consistently about 20 percent lower than the prices for the Brazilian product. ^{40/}

Petitioner argues that Japanese imports were priced relatively low because the product was defective and subject to a recall order by the U.S. Department of Transportation (DOT) in March 1985. ^{41/} Most purchasers contacted by the Commission indicated a variety of concerns other than price that influence purchasing decisions. In fact, the data reveal instances of

^{38/} Id. at Table 21.

^{39/} Respondent's Brief at 4, 11, and Exhibit 1.

^{40/} Tr. at 72, 90-91. For a quarterly comparison of list prices for all major players in this market, see Respondents' Brief at Exhibit 1.

^{41/} Petitioner's Brief at 8. See DOT recall campaign No. 85E-018.

purchases of higher-priced domestic wheels for several reasons, including quality, ^{42/} security of supply, just-in-time delivery, transportation costs, engineering and product liability. ^{43/}

While the Japanese SDW may be the price leader in this market, it is unlikely that price effects on the domestic industry are the result of the Japanese imports alone. ^{44/}

^{42/} We investigated the price leadership and 'tainted product' arguments through a series of telephone conversations with purchasers of SDWs. Report at A-35-39; INV-J-118 (June 30, 1986). Those calls generally reveal a purchaser perception that the Japanese product is the lowest priced product on the market, although several purchasers expressed doubt that the Japanese would retain a price leadership position in the future. However, with one exception, purchasers did not report a perception of the Japanese product as tainted. Those purchasers who discussed the quality of the Japanese product seem to consider the recall problem as history and that there was no reason to avoid the Japanese product for quality.

We recognize that the data in a restricted telephone survey are limited and must be interpreted with care. The telephone survey was neither a random sample nor sufficiently large to enable us to draw statistically valid conclusions. However, the data in the survey do constitute the best information available and we use it here, keeping in mind its inherent limitations.

^{43/} In the event of a final investigation, we will attempt to gather much more complete data on the role of nonprice factors in this market.

^{44/} Although the Commission is directed not to weigh causes of injury, H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979), Congress has also directed that "the ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports." S. Rep. No. 249, 96th Cong., 1st Sess. 75 (1979). As we stated, for example, in an investigation in which it was respondents who argued that the injury, if any, was caused by domestic producers' poor quality products:

Although the Commission does not weigh causes of injury,
... where injury to a domestic industry is caused
exclusively by factors other than the alleged LTFV imports,
a negative finding is required. Where the allegedly LTFV
imports are one of the causes of injury, and regardless of
other causes, there is a sufficient causal nexus between
the imports and the injury, an affirmative finding is
required.

Fabric and Expanded Neoprene Laminate from Japan, Inv. No. 731-TA-206 (Preliminary), USITC Pub. 1608 at 11 n. 41 (1984) (emphasis supplied), approved, Fabric and Expanded Neoprene Laminate from Japan, Inv. No. 731-TA-206 (Final), USITC Pub. 1721 at 10 n. 47 (1985). See also Certain Tapered Roller Bearings and Parts Thereof from Japan, the Federal Republic of Germany and Italy, Invs. Nos. 731-TA-120-122 (Preliminary), USITC Pub. 1359 (1983) (compare Views of Chairman Eckes finding a causal nexus with Views of Commissioner Stern finding no such nexus).

During the period following the allocation, tubeless SDWs from Brazil generally undersold the domestic product. ^{45/} There is some information on the record that for large purchasers there is a bidding process in which the lower price of the Brazilian product causes domestic producers to either accept lower prices than they ordinarily would or to lose the sale. ^{46/} There are some reports of purchases of Brazilian wheels on the basis of lower price. ^{47/}

Conclusion

The information gathered in this investigation shows that during much of 1984 and early 1985 the domestic industry was unable to supply domestic demand and Brazilian tubeless SDWs were imported to make up for the shortfall. In the first quarter of 1986, imports from Brazil declined in both absolute and relative terms.

The data further indicate that tubeless SDWs from Japan are low priced and are perceived as the price leaders. However, our pricing information indicates that price is not the only purchasing consideration and that Brazilian prices also were lower than domestic producers' prices at a time when domestic prices began to erode, starting roughly in mid-1985.

Accordingly, we find that there is a reasonable indication ^{48/} that an industry in the United States is materially injured by reason of imports from Brazil of steel disc wheels for tubeless pneumatic tires, designed for use on class 6, 7, and 8 trucks, including tractors, and semi-trailers.

^{45/} Report at Tables 19-21.

^{46/} Tr. at 19.

^{47/} Report at A-36-37.

^{48/} See American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986).

ADDITIONAL VIEWS OF VICE CHAIRMAN BRUNSDALE

Since I find a reasonable indication that the domestic industry is threatened with material injury by the subject imports, I do not join the majority's discussion of causation. Rather, I base my findings primarily on reports that Brazil intends to greatly increase capacity by the end of 1986.¹ This suggests that Brazil's ability to produce and export the product under investigation may increase dramatically in the near future, and thus imminently threaten the domestic industry.

I respectfully disagree with my colleagues in the majority opinion about alleged material injury attributable to Brazilian imports. Brazil's current U.S. market share is less than five percent and declined in the first quarter of 1986,² during

¹
Report, at A-19.

²
Id., at A-23, table 16.

which time the condition of the U.S. industry deteriorated even though domestic consumption³ and prices⁴ remained reasonably stable. Thus, it does not seem likely that Brazilian imports are a cause of recent difficulties experienced by the domestic industry.

Further, I doubt whether the current level of Brazilian imports affects the price in the U.S., and thereby the domestic industry. Since Brazilian imports account for only a small proportion of all imports, and thus an even smaller proportion of non-U.S. and non-Brazilian production, I question whether any Brazilian product forced onto the world market by Title VII relief will not merely result in offsetting imports from other countries. I expect that interested parties will thoroughly brief the Commission on this issue in pre-hearing submissions should there be a final investigation.

3

Id.

4

Id., at A-22 - A-32, especially tables 17 through 20.

- 17 -
VIEWS OF CHAIRMAN LIEBELER

Inv. No. 731-TA-335 (Preliminary)
Tubeless Steel Disc Wheels from Brazil

I determine that there is not a reasonable indication that an industry in the United States is materially injured or threatened with material injury, by reason of imports of tubeless steel disc wheels (SDWs) from Brazil allegedly being sold at less than fair

¹ value. I concur with the majority's definitions of like product and domestic industry, and the condition of the industry.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a preliminary investigation, the Commission must determine that there is a reasonable indication that the dumped or

¹ Material retardation is not an issue because the industry is well established.

subsidized imports cause or threaten to cause material injury to the domestic industry producing the like product. First, the Commission must determine whether the domestic industry producing the like product is materially injured or is threatened with material injury. Second, the Commission must determine whether any injury or threat thereof is by reason of the dumped or subsidized imports. Only if the Commission finds a reasonable indication of both injury and causation, will it make an affirmative determination in the investigation.

Before analyzing the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of the antidumping law. In general, the accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant."³ This definition leaves unclear what is meant by harm. As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the increase in supply, ceteris paribus, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy

³
19 U.S.C. sec. 1977(7) (A) (1980).

finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Acts of 1979, Congress stated:

[T]he ITC will consider information which indicates that harm is caused by factors other⁴ than the less-than-fair-value imports.

The Finance Committee emphasized the need for an extensive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."⁵

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination

⁴ Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

⁵ Id.

of the ITC with respect to causation, is under current law, and will be, under section 735, complex and

difficult, and is matter for the judgment of the ITC."⁶
Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

In the legislative history to the 1974 Act, the Senate Finance Committee stated that the statute was designed to deter unfair price discrimination:

This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. * * * The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a
7
United States industry.

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm

6

Id.

7

Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

results therefrom:

[T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market⁸ price.

This "difficult and complex" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt to maximize profits.⁹ Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."¹⁰

An assertion of unfair price discrimination should be accompanied by a factual record that can support such a

⁸
Id.

⁹
See, e.g., P. Samuelson & W. Nordhaus, Economics 42-45 (12th ed. 1985); W. Nicholson, Intermediate Microeconomics and Its Application 7 (3d ed. 1983).

¹⁰
Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to behave rationally. Therefore, if the factual setting in which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any injury or threat of injury to the domestic industry is not "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."¹¹

¹¹

Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit an affirmative finding under the law interpreted in light¹² of the cited legislative history.

The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low¹³ elasticity of supply of other imports).

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the¹⁴ general impact of imports on domestic producers. The legislative history provides some guidance for applying these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn.

¹² Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebler).

¹³ Id. at 16.

¹⁴ 19 U.S.C. 1677(7)(B)-(C) (1980 & cum. supp. 1985).

Causation analysis

Examining import penetration data is relevant because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. Imports of SDW's from Brazil began in 1984. Brazilian imports of SDW's as a percentage of US consumption of SDW's increased from 1984 through the first quarter of 1985, then declined to a level of less than 5 percent in the first quarter of 1986.¹⁵ Thus imports from Brazil represent a shrinking market share. The first indicator suggests that unfair price discrimination conditions are not likely to exist.

The second factor is a high margin of dumping or subsidy. The higher the margin, ceteris paribus, the more likely it is that the product is being sold below the competitive price¹⁶ and the more likely it is that the domestic producers will be adversely affected. In a preliminary investigation, the Commerce Department has not

¹⁵
Report at A-29)

¹⁶
See text accompanying note 13, supra.

yet had time to calculate any margins. I therefore rely on the margins alleged by petitioner. The petitioner

alleges LTFV margins of 125 to 160 percent.¹⁷ These margins are high and could suggest the presence of unfair price discrimination.

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the effect of any allegedly unfair practice on domestic producers. There is some evidence suggesting that the domestic product and imports differ in terms of "quality", particularly the ability of producers to deliver adequate supplies consistently and on time, and to service warranties. All other things constant, one would expect that the SDW's with the better "quality" would cost more. The transaction prices reported show a substantial amount of variation across producers, indicating that there may be a lack of product homogeneity.

As to the fourth factor, evidence of declining domestic prices, ceteris paribus, might indicate that

¹⁷

Report at A-1.

domestic producers were lowering their prices to maintain market share. Prices reported by domestic producers were at their highest levels in late 1984 and early 1985, concurrent with a customer allocation program, and with substantial increases in the size of sales to original equipment manufacturers (OEM's) for which price data were reported by two of the domestic producers. Domestic prices decreased from the fourth quarter of 1984 through mid 1985, rose slightly for a brief period and declined

slightly in the first quarter of 1986.¹⁸ These price data are somewhat inconclusive, though they are not inconsistent with unfair price discrimination.

The fifth factor is barriers to entry (foreign supply elasticity). If there are barriers to entry (or low foreign elasticity of supply) it is more likely that a producer can gain market power. In 1985 Japan was the US's principal source of imported SDW's for all vehicles, supplying 40.5 percent of the total value of imports. West Germany was second in importance, supplying 17.1 percent, Brazil supplied 16 percent and Canada supplied

¹⁸

Report at Table 21.

19
8.1 percent. Brazil accounted for less than 5 percent of US SDW imports in the first quarter of 1986, down from less than 7 percent in the beginning of 1985. This factor indicates that there are not likely barriers to entry and that import supply to the U.S. from countries other than Brazil has relatively high elasticity.

These factors must be balanced in each case to reach a sound determination. As noted earlier, however, market share plays a key role in determining whether unfair price discrimination could be occurring. In this case, the market penetration figures indicate that what we are observing is not related to unfair price discrimination. The goal of unfair price discrimination is to take away market share. In this investigation, market share has remained small and has in fact decreased. The low import penetration rate of Brazilian SDW's and evidence indicating the existence of high elasticity of foreign supply, plus the available price data from domestic producers provide no reasonable indication of material injury by reason of allegedly dumped imports of SDW's from Brazil.

Conclusion

Therefore, I conclude that there is no reasonable indication that an industry in the United States is materially injured by reason of allegedly dumped imports of SDW's from Brazil.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On May 23, 1986, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel for the Budd Co., Wheel & Brake Division, Farmington Hills, MI, 1/ alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports from Brazil of tubeless steel disc wheels, 2/ provided for in item 692.32 of the Tariff Schedules of the United States (TSUS), which are being, or are likely to be, sold in the United States at less than fair value (LTFV). On June 4, 1986, petitioners filed a supplement to the petition, containing additional information requested by Commission staff. Accordingly, effective May 23, 1986, the Commission instituted investigation No. 731-TA-335 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. { 1673b(a)). The purpose of the Commission's investigation is to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil of tubeless steel disc wheels that are allegedly sold at LTFV.

Notice of the institution of the Commission's investigation was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of June 5, 1986 (51 F.R. 20558). 3/ The Commission held a public conference in Washington, DC, on June 16, 1986, at which time all interested parties were allowed to present information and data for consideration by the Commission. 4/ The Commission voted on this investigation on July 2, 1986. The statute directs the Commission to make its determination within 45 days of the receipt of a petition, or in this case by July 7, 1986. Tubeless steel disc wheels have not been the subject of any previous statutory investigation by the Commission.

Nature and Extent of the Alleged LTFV Sales

The petition alleges that tubeless steel disc wheels from Brazil are being sold in the United States at LTFV margins ranging between 125 percent and 160 percent. 5/ Petitioner's allegations were based on differences

1/ The only other U.S. producers of tubeless steel disc wheels, Firestone Steel Products Division and Motor Wheel Corp., ***.

2/ Such wheels are designed to be mounted with pneumatic tires and are suitable for use on class 6, 7, and 8 trucks, including tractors and semi-trailers.

3/ A copy of the Commission's Federal Register notice is presented in app. A.

4/ A list of witnesses who appeared at the public conference is presented in app. B.

5/ Petition, p. 16.

between the U.S. price and the foreign-market value. According to the petition, manufacturers in Brazil are believed to have no related selling agents or importers in the United States. Since all sales are to unrelated purchasers, petitioner calculated the U.S. price on the basis of the purchase price. 1/ For the foreign-market value, petitioner used prices of tubeless steel disc wheels sold in Brazil to original equipment manufacturers (OEM's). The prices were actual f.o.b. packed mill price quotations obtained by petitioners in Brazil during November 1985. 2/

The Product

Description and uses

The tubeless steel disc wheels subject to this investigation are used on medium-and heavy-duty trucks (classes 6, 7, and 8), and on tractors and semi-trailers. 3/ Tubeless steel disc wheels, produced by the Budd Co., Firestone Steel Products, and Motor Wheel Corp., consist of a steel disc and a steel rim welded to form a single unit. The steel disc component performs a dual function, both centering the rim about the axle and attaching the rim to the axle. Once assembled into a steel disc wheel, neither the rim nor the disc can be replaced separately. Tubeless steel disc wheels are preferred for use with tubeless radial tires on highway vehicles because of less rolling resistance, which equates to greater fuel economy and longer tread life. 4/ They account for a growing share of consumption of wheels for medium- and heavy-duty trucks--presently about 45 percent. 5/

Manufacturing process

Tubeless steel disc wheels are produced in three distinct stages: (1) production of the disc, 2) production of the rim, and (3) assembly and finishing of the wheel.

Discs are typically produced from trimmed disc blanks that are spun and trimmed to specified sizes and shapes. The discs are punched to form the hand, stud, and center holes, then restruck, chamfered, and the holes are reamed. Finally, the finished discs are inspected and stored.

Rims are produced on a separate production line wherein coiled low carbon hot-rolled steel (which may be slit to width and recoiled prior to delivery) is flattened, cut to length, roll formed to rim shape, and welded into a

1/ Ibid., p. 13.

2/ Ibid., pp. 14 and 15.

3/ According to the Motor Vehicle Manufacturers Association of the United States, Inc., class 6 onhighway trucks are defined as those whose gross vehicle weight is between 19,501 pounds and 26,000 pounds. The gross vehicle weight of class 7 trucks is 26,001 pounds to 33,000 pounds, and class 8 trucks exceed 33,000 pounds.

4/ Transcript of the conference, p. 45.

5/ Notes from staff visit with officials of ***, June 10, 1986.

circle. The weld and edges of the circle are trimmed, then the circle is rolled flat. The rim is then flared, sent through a series of form rolls, and expanded to produce the finished rim. Finally, the rim is drilled for valve placement, inspected, and stored.

In assembly operations, the disc and rim are washed, pressure fitted together, welded into place, and defluxed to remove any slag remaining from the weld. The wheels are then washed thoroughly, dip painted, cured, and palletized for shipment.

Other types of wheels

Other types of wheels that may be used on class 6, 7, and 8 trucks, but are not included within the scope of this investigation, include tube-type steel disc wheels, tube and tubeless cast-spoke wheels with demountable rims, and aluminum disc wheels. 1/

Tube-type steel disc wheels, like the tubeless-type wheels, are manufactured by Budd, Firestone, and Motor Wheel, for the most part in the same establishments. However, the two types of wheels must be manufactured on different equipment, or the equipment must undergo significant tooling changes to convert from one type to the other. These wheels are most commonly used with bias tires on short haul, locally oriented delivery-type vehicles in urban areas. 2/ Tube-type steel disc wheels presently account for an estimated 15 percent of consumption of wheels for class 6, 7, and 8 trucks. 3/

Cast-spoke wheels with demountable rims consist of two separate components--a cast-spoke hub and a rim. The hubs are produced by Dayton-Walther, Webb, and Kelsey-Hayes, whereas, the rims are manufactured by Firestone, Motor Wheel, and Redco. The two components are assembled into a single unit by a truck manufacturer. These wheels are also most commonly used with bias tires on short haul, locally oriented delivery-type vehicles in urban areas. 4/ They are priced about 5 percent less than steel disc wheels. Tubeless cast-spoke wheels currently account for approximately 8 percent of consumption of wheels for class 6, 7, and 8 trucks, and tube-type cast-spoke wheels account for approximately 25 percent. 5/

Aluminum disc wheels are machined from a single aluminum forging commonly known as a slug. These wheels are manufactured by Alcoa and Kaiser Aluminum. Their price is about three times as great as that of tubeless steel disc wheels. 6/ Aluminum disc wheels currently account for approximately 7 percent of consumption of wheels for class 6, 7, and 8 trucks. 7/

1/ Pictures of steel disc, cast-spoke, and aluminum disc wheels are presented in app. C.

2/ Transcript of the conference, pp. 44 and 45.

3/ Notes from staff visit with officials of ***, June 10, 1986.

4/ Transcript of the conference, pp. 44-47.

5/ Notes from staff visit with officials of ***, June 10, 1986.

6/ Transcript of the conference, pp. 44-47.

7/ Notes from staff visit with officials of ***, June 10, 1986.

None of the above types of wheels can be used interchangeably with each other or with tubeless steel disc wheels on the same vehicle because each is designed to be used with a particular type of axle.

U.S. tariff treatment

Imports of the tubeless steel disc wheels covered by this investigation are classified under item 692.3230 of the Tariff Schedules of the United States Annotated (TSUSA), 1/ which includes all wheels designed to be mounted with pneumatic tires. The column 1 or most-favored-nation duty rate is 3.2 percent ad valorem and is scheduled to be reduced to 3.1 percent ad valorem effective January 1, 1987. The column 2 rate of duty is 25 percent ad valorem and is applicable to imports from those Communist countries and areas specified in general headnote 3(d) of the TSUS.

The least developed developing countries duty rate is 3.1 percent ad valorem. Imports under item 692.32 are designated as being eligible for duty-free entry under the Generalized System of Preferences; however, imports under item 692.32 from Brazil, Mexico, and Taiwan are not eligible for such preferential treatment. Imports under this item are eligible for duty-free entry if the product is from Israel or designated beneficiary countries under the Caribbean Basin Economic Recovery Act.

U.S. Producers

Three firms manufacture tubeless steel disc wheels in the United States. The firms, plant locations, and production (in thousands of units) in 1985 are shown in the following tabulation:

<u>Firm</u>	<u>Plant location</u>	<u>Production</u>
The Budd Co.....	Frankfort, OH	***
Firestone Steel Products Div. 1/...	Henderson, KY	***
Motor Wheel Corp. 2/.....	Lansing, MI	***
Total.....		1,217

1/ Firestone Steel Products Division is a wholly owned subsidiary of Firestone Tire and Rubber Co., Akron, OH.

2/ Motor Wheel Corp. is a wholly owned subsidiary of Goodyear Tire and Rubber Co., Akron, OH.

1/ Imports from Canada are classified in TSUSA item 692.3330; these products are eligible for duty-free entry if declared as original motor-vehicle equipment under the U.S.-Canada Automotive Products Trade Agreement.

U.S. Importers

According to the U.S. Customs Service net importer file, approximately 25 firms imported products from Brazil that were entered under the tariff provision that includes tubeless steel disc wheels. Ten firms reported that they did not import the type of wheels subject to this investigation. The Commission received timely questionnaire responses from three firms that did import the subject wheels from Brazil. The three firms accounted for 41.6 percent of the imports from Brazil in 1985.

The Market

Channels of distribution

Tubeless steel disc wheels are sold to distributors and to the larger OEM's that produce trucks and semi-trailers. Distributors sell to the aftermarket and to small OEM's. U.S. producers sell tubeless steel disc wheels at both of these levels, whereas, the imports from Brazil are concentrated largely in the aftermarket (table 1). 1/

Table 1.--Tubeless steel disc wheels: U.S. producers' shipments and imports from Brazil, by type of customer, 1983-85

(In percent)			
Item	1983	1984	1985
U.S. producers' shipments:			
OEM's.....	81.0	85.3	85.3
Distributors.....	19.0	14.7	14.7
Total.....	100.0	100.0	100.0
Imports from Brazil sold to:			
OEM's.....	<u>1/</u>	-	4.2
Distributors.....	<u>1/</u>	100.0	95.8
Total.....	<u>1/</u>	100.0	100.0

1/ There were no imports of tubeless steel disc wheels from Brazil in 1983.

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

U.S. consumption

U.S. consumption of tubeless steel disc wheels increased from approximately 1.2 million units in 1983 to approximately 2.25 million units in

1/ According to the petition (p. 10), Brazilian producers have sought OEM contracts in recent months in an effort to increase market share.

1984, or by 87.5 percent, then dropped to approximately 2.15 million units in 1985, 4.4 percent below consumption in 1984 and 79.2 percent above consumption in 1983 (table 2). Consumption during January-March 1986 was approximately 495,000 units, 2.6 percent below consumption during the corresponding period in 1985. The substantial increase in consumption in 1984 resulted in part from changes in U.S. Government regulations with respect to trailers, which in 1984 increased the maximum allowable dimensions of trailers. While the legislation was pending, fleets postponed trailer orders, and, as a result, OEM's were purchasing fewer wheels. The legislation increased considerably the cubic hauling capacity of trailers, resulting in a rush in trailer orders and wheel purchases. 1/

According to testimony at the Commission's conference, U.S. producers had customers on allocation in 1984, although they stated that no truck or trailer production units were lost. 2/ The respondents argued at the conference that in 1984 and during January-June 1985, U.S. distributors were seeking supplies from Brazilian producers because U.S. producers could not meet demand. 3/ Imports from Brazil first entered the U.S. market in late 1984.

Table 2.--Tubeless steel disc wheels: U.S. producers' domestic shipments, imports for consumption, and apparent consumption, 1983-85, January-March 1985, and January-March 1986

Period	Producers'			Ratio to consumption	
	shipments	Imports	Consumption	Shipments	Imports
	-----1,000 units-----			-----Percent-----	
1983.....	1,011	189	1,200	84.2	15.8
1984.....	1,558	692	2,250	69.2	30.8
1985.....	1,092	1,058	2,150	50.8	49.2
January-March--					
1985.....	367	141	508	72.2	27.8
1986.....	242	253	495	48.9	51.1

Source: U.S. producers' shipments compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, U.S. consumption estimated by the petitioner, and U.S. imports computed by the Commission's staff.

Consideration of Alleged Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

U.S. production of tubeless steel disc wheels increased from 988,000 units in 1983 to 1.5 million in 1984, or by 52.3 percent, then dropped to 1.2 million in 1985, a decline of 19.1 percent from 1984 and an increase of

1/ Notes from staff visit with ***, June 9, 1986.

2/ Transcript of the conference, p. 50.

3/ Ibid., pp. 71 and 72.

23.2 percent from 1983. During January-March 1986, production was 250,000 units, a decline of 36.2 percent from the 392,000 units produced during the corresponding period in 1985 (table 3).

In the aggregate, practical annual capacity ^{1/} of U.S. producers increased from *** million units in 1983 to 1.4 million units in 1984 and 1985, or by *** percent. ***.

Table 3.--Tubeless steel disc wheels: U.S. production, capacity, and capacity utilization, by firm, 1983-85, January-March 1985, and January-March 1986

Firm	1983	1984	1985	January-March--	
				1985	1986
Production (1,000 units)					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	988	1,505	1,217	392	250
Capacity (1,000 units)					
Budd Co.....	***	***	***	***	***
Firestone Steel Products <u>1</u> /.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	***	1,404	1,404	341	339
Capacity utilization (percent)					
Budd Co.....	***	***	***	***	***
Firestone Steel Products <u>1</u> /.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Average.....	***	107.2	86.7	114.9	73.7

^{1/} ***.

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

Capacity utilization by U.S. producers increased from *** percent in 1983 to 107.2 percent in 1984, then dropped to 86.7 percent in 1985.

^{1/} Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operation.

U.S. producers' domestic shipments

Domestic shipments of tubeless steel disc wheels by U.S. producers increased from 1.0 million units in 1983 to 1.6 million units in 1984, or by 54.1 percent, then dropped to 1.1 million units in 1985, a decline of 29.9 percent from 1984 but an increase of 8.0 percent from shipments in 1983. Producers' shipments during January-March 1986, at 242,000 units, were 34.1 percent below the 367,000 units sold during January-March 1985 (table 4).

Table 4.--Tubeless steel disc wheels: U.S. producers' domestic shipments, by firm, 1983-85, January-March 1985, and January-March 1986

Firm	1983	1984	1985	January-March--	
				1985	1986
Quantity (1,000 units)					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	1,011	1,558	1,092	367	242
Value (1,000 dollars)					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	57,582	87,269	57,844	21,227	13,661
Unit value					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Average.....	\$56.96	\$56.01	\$52.97	\$57.84	\$56.45

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

U.S. exports

U.S. exports of tubeless steel disc wheels increased annually during 1983-85, but were small, accounting for less than *** percent of U.S. shipments (table 5).

Table 5.--Tubeless steel disc wheels: U.S. exports of domestic merchandise, by firm, 1983-85, January-March 1985, and January-March 1986

Firm	1983	1984	1985	January-March--	
				1985	1986
Quantity (units)					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	***	***	***	***	***
Value (1,000 dollars)					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	***	***	***	***	***
Unit value					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Average.....	***	***	***	***	***

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

U.S. producers' inventories

U.S. producers' yearend inventories of tubeless steel disc wheels declined irregularly from 96,000 units in 1983 to 91,000 units in 1985, or by 5.2 percent. ***. As a percentage of domestic shipments, inventories declined from 9.5 percent in 1983 to 3.3 percent in 1984, then increased to 8.3 percent in 1985 (table 6).

Employment and productivity

The number of workers producing tubeless steel disc wheels in U.S. plants increased from 200 in 1983 to 349 in 1984, or by 74.5 percent, then declined to 337 in 1985, a decline of 3.4 percent from 1984 and an increase of 68.5 percent from 1983 (table 7). Hours worked by production workers averaged 2,240 in 1983; 2,427 in 1984; and 2,181 in 1985. Average hourly wages increased annually from \$11.04 in 1983 to \$12.11 in 1985, or by 9.7 percent. Average hourly total compensation (which includes fringe benefits) also increased annually from \$17.09 in 1983 to \$19.23 in 1985, or by 12.5 percent. Workers at all three firms that produce the subject wheels are represented by unions.

Table 6.--Tubeless steel disc wheels: U.S. producers' inventories and ratios of inventories to domestic shipments, by firm, as of Dec. 31, 1983-85, and Mar. 31, 1985-86

Firm	Dec. 31--			Mar. 31--	
	1983	1984	1985	1985	1986
Inventories (1,000 units)					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	96	52	91	***	***
Ratio, inventories to shipments (percent)					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Average.....	9.5	3.3	8.3	<u>1/</u> ***	<u>1/</u> ***

1/ Calculated on the basis of annualized shipments.

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

Table 7.--Tubeless steel disc wheels: Number of production and related workers, hours worked by such workers, hourly wages paid and total hourly compensation per worker, and productivity, by firm, 1983-85, January-March 1985, and January-March 1986

Item and firm	1983	1984	1985	January-March--	
				1985	1986
Number of workers:					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	200	349	337	<u>1/</u> ***	300
Hours worked:					
Budd Co.....1,000 hours..	***	***	***	***	***
Firestone Steel Products 1,000 hours..	***	***	***	***	***
Motor Wheel Corp.....do....	***	***	***	***	***
Total.....do....	448	847	735	<u>1/</u> ***	203
Hourly wages paid:					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Average.....	\$11.04	\$11.57	\$12.11	<u>1/</u> ***	\$12.94
Total hourly compensation:					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Average.....	\$17.09	\$17.83	\$19.23	<u>1/</u> ***	\$21.66
Productivity:					
Budd Co.....units per hour..	***	***	***	***	***
Firestone Steel Products units per hour..	***	***	***	***	***
Motor Wheel Corp.....do....	***	***	***	***	***
Average.....do....	2.2	1.8	1.7	<u>1/</u> ***	1.2

1/ ***.

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

Worker productivity decreased by 24.9 percent from 1983 to 1985 and declined further by *** percent during January-March 1986.

U.S. producers were asked to report any reductions in the number of production and related workers producing tubeless steel disc wheels if such reductions involved at least 5 percent of the work force or 50 workers. *** reported such layoffs, which they attributed to reductions in sales, as shown in the following tabulation:

* * * * *

Financial experience of U.S. producers

Three producers, which accounted for 100 percent of the domestic shipments of tubeless steel disc wheels in 1985, furnished usable income-and-loss data for both their overall establishment operations and tubeless steel disc wheel operations.

Overall establishment operations.--Net sales rose 35.4 percent from \$207.5 million in 1983 to \$280.8 million in 1984 (table 8). In 1985, sales were \$277.6 million, a decrease of 1.1 percent from 1984. For the interim period ending March 31, 1986, net sales were \$70.0 million, a decrease of 20.0 percent from the \$87.5 million for the corresponding period in 1985. In the aggregate, the companies were profitable in all of the reporting periods except for interim 1986. Operating income was \$1.5 million in 1983, \$7.6 million in 1984, \$8.3 million in 1985, and \$4.9 million in interim 1985. Operating income margins were 0.7 percent in 1983, 2.7 percent in 1984, 3.0 percent in 1985, and 5.6 percent in the interim period of 1985. A loss of \$610,000, or 0.9 percent of sales, was sustained in the 1986 interim period. Financial data for each company are presented in table 9.

Operations producing tubeless steel disc wheels.--Net sales rose 60.5 percent from \$57.0 million in 1983 to \$91.5 million in 1984 (table 10). In 1985, sales were \$85.7 million, a decrease of 6.4 percent from 1984. For the interim period ending March 31, 1986, net sales were \$23.4 million, a decrease of 27.9 percent from the \$32.5 million for the corresponding period in 1985. In the aggregate, the companies were profitable in 1984, 1985, and the 1985 interim period. In 1984, operating income was \$3.5 million, compared with \$3.1 million in 1985 and \$1.9 million in interim 1985. Operating income margins were 3.8 percent in 1984, 3.6 percent in 1985, and 5.9 percent in the interim period of 1985. Losses of \$2.9 million, or 5.1 percent of sales, and \$992,000, or 4.2 percent of sales, were sustained in 1983 and interim 1986, respectively. ***. Income-and-loss experiences for the individual companies are presented in table 11.

Investment in productive facilities.--The investment in productive facilities employed in the production of tubeless steel disc wheels is shown in table 12. The investment in such facilities, valued at cost, was \$66.7 million as of the end of 1983 and \$60.5 million as of March 31, 1986. The book value of such assets was \$30.7 million as of March 31, 1986.

Table 8.--Income-and-loss experience of 3 U.S. producers on the overall operations of their establishments within which tubeless steel disc wheels are produced, accounting years 1983-85 and interim periods ended Mar. 31, 1985, and Mar. 31, 1986 ^{1/}

Item	1983	1984	1985	Interim period ended Mar. 31--	
				1985	1986
Net sales.....1,000 dollars..	207,455	280,806	277,608	87,484	69,978
Cost of goods sold.....do....	194,260	259,151	252,411	77,295	65,138
Gross profit or (loss).do....	13,195	21,655	25,197	10,189	4,840
General, selling, and administrative expenses.....do....	11,681	14,019	16,861	5,316	5,450
Operating income or (loss).....do....	1,514	7,636	8,336	4,873	(610)
Depreciation and amortization.....do....	8,380	7,337	7,632	2,319	2,150
Cash-flow from operations.....do....	9,894	14,973	15,968	7,192	1,540
Ratio to net sales of--					
Cost of goods sold percent..	93.6	92.3	90.9	88.4	93.1
Gross profit or (loss).....do....	6.4	7.7	9.1	11.6	6.9
General, selling, and administrative expenses.....percent..	5.6	5.0	6.1	6.1	7.8
Operating income or (loss).....do....	.7	2.7	3.0	5.6	(.9)
Number of firms reporting operating losses.....	***	***	***	***	***

^{1/} Data are for Budd Co., Firestone, and Motor Wheel, which accounted for 100 percent of domestic shipments of tubeless steel disc wheels in 1985.

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

Table 9.--Income-and-loss experience of 3 U.S. producers on the overall operations of their establishments within which tubeless steel disc wheels are produced, by producer, accounting years 1983-85 and interim periods ended Mar. 31, 1985, and Mar. 31, 1986 ^{1/}

Item and firm	1983	1984	1985	Interim period ended Mar. 31--	
				1985	1986
Value (1,000 dollars)					
Net sales:					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	207,455	280,806	277,608	87,484	69,978
Gross profit or (loss):					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	13,195	21,655	25,197	10,189	4,840
Operating income or (loss):					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	1,514	7,636	8,336	4,873	(610)
Net sales (percent)					
Gross profit or (loss):					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Weighted-average.....	6.4	7.7	9.1	11.6	6.9
Operating income or (loss):					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Weighted-average.....	.7	2.7	3.0	5.6	(0.9)

^{1/} Budd's fiscal year ends ***, Firestone's ***, and Motor Wheel's ***.

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

Table 10.--Income-and-loss experience of 3 U.S. producers on their operations producing tubeless steel disc wheels, accounting years 1983-85 and interim periods ended Mar. 31, 1985, and Mar. 31, 1986 ^{1/}

Item	1983	1984	1985	Interim period ended March 31--	
				1985	1986
Net sales.....1,000 dollars..	57,010	91,526	85,698	32,455	23,395
Cost of goods sold.....do....	55,811	82,195	76,163	28,006	22,247
Gross profit or (loss).do....	1,199	9,331	9,535	4,449	1,148
General, selling, and administrative expenses.....do....	4,109	5,834	6,428	2,542	2,140
Operating income or (loss).....do....	(2,910)	3,497	3,107	1,907	(992)
Depreciation and amortization.....do....	4,099	3,776	3,804	1,279	1,188
Cash flow from operations.....do....	1,189	7,273	6,911	3,186	196
Ratio to net sales of-- Cost of goods sold percent..	97.9	89.8	88.9	86.3	95.1
Gross profit or (loss).....do....	2.1	10.2	11.1	13.7	4.9
General, selling, and administrative expenses.....percent..	7.2	6.4	7.5	7.8	9.1
Operating income or (loss).....do....	(5.1)	3.8	3.6	5.9	(4.2)
Number of firms reporting operating losses.....	***	***	***	***	***

^{1/} Data are for Budd Co., Firestone, and Motor Wheel, which accounted for 100 percent of domestic shipments of tubeless steel disc wheels in 1985.

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

Table 11.--Income-and-loss experience of 3 U.S. producers on their operations producing tubeless steel disc wheels, by producer, accounting years 1983-85 and interim periods ended Mar. 31, 1985, and Mar. 31, 1986

Item and firm	1983	1984	1985	Interim period ended Mar. 31--	
				1985	1986
Value (1,000 dollars)					
Net sales:					
Budd Co.....	***	***	***	***	***
Firestone Steel Products...	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	57,010	91,526	85,698	32,455	23,395
Gross profit or (loss):					
Budd Co.....	***	***	***	***	***
Firestone Steel Products...	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	1,199	9,331	9,535	4,449	1,148
Operating income or (loss):					
Budd Co.....	***	***	***	***	***
Firestone Steel Products...	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	(2,910)	3,497	3,107	1,907	(992)
Net sales (percent)					
Gross profit or (loss):					
Budd Co.....	***	***	***	***	***
Firestone Steel Products...	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Weighted-average.....	2.1	10.2	11.1	13.7	4.9
Operating income or (loss):					
Budd Co.....	***	***	***	***	***
Firestone Steel Products...	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Weighted-average.....	(5.1)	3.8	3.6	5.9	(4.2)

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

Table 12.--Tubeless steel disc wheels: U.S. producers' end-of-period valuation of fixed assets

(In thousands of dollars)

(in thousands of dollars)					
Item and firm	1983	1984	1985	January-March--	
				1985	1986
Original cost:					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	66,747	59,227	60,465	59,692	60,485
Book value:					
Budd Co.....	***	***	***	***	***
Firestone Steel Products.....	***	***	***	***	***
Motor Wheel Corp.....	***	***	***	***	***
Total.....	34,310	32,492	31,423	31,998	30,685

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

Capital expenditures.--All three of the U.S. producers supplied information on their capital expenditures used in the production of tubeless steel disc wheels. Capital expenditures declined *** percent from \$*** in 1983 to \$*** in 1985. For the interim periods of 1985 and 1986, expenditures were \$*** and \$***, respectively. ***:

Capital expenditures

	<u>Budd</u>	<u>Motor Wheel</u>	<u>Firestone</u>	<u>Total</u>
1983.....	***	***	***	***
1984.....	***	***	***	***
1985.....	***	***	***	***
January-March--				
1985.....	***	***	***	***
1986.....	***	***	***	***

Research and development expenses.--The research and development expenditures for the three producers rose *** percent from \$*** in 1983 to \$*** in 1985. During the interim 1985 and 1986 periods, expenditures also increased from \$*** to \$***. ***:

	<u>Budd</u>	<u>Motor Wheel</u>	<u>Firestone</u>	<u>Total</u>
1983.....	***	***	***	***
1984.....	***	***	***	***
1985.....	***	***	***	***
January-March--				
1985.....	***	***	***	***
1986.....	***	***	***	***

Capital and investment--The companies were asked to describe and explain the potential negative effects, if any, of imports of tubeless steel disc wheels from Brazil on their firm's growth, investment, and ability to raise capital. Excerpts from their responses are shown below:

Budd

* * * * *

Firestone

* * * * *

Motor Wheel

* * * * *

Consideration of the Question of
Threat of Material Injury

In its examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of the subject imports, the rate of increase in U.S. market penetration by such imports, the rate of increase of imports held in inventory in the United States, the capacity of producers in the exporting country to generate exports (including the existence of underutilized capacity and the availability of export markets other than the United States), the potential for product shifting by the foreign manufacturers, and the price depressing or suppressing effect of the subject imports on domestic prices. Information on the nature of alleged LTFV sales is presented in the section of the report entitled "Nature and extent of the alleged LTFV sales," and discussions of rates of increase in imports and their U.S. market penetration, as well as available information on their prices, are presented in the section of the report entitled "Consideration of the causal relationship between the alleged LTFV imports and the alleged injury." Available information on inventories of tubeless steel disc wheels from Brazil and the ability of the foreign producers to generate exports, as well as the potential for product shifting, is presented in the following sections.

U.S. inventories of tubeless steel disc wheels from Brazil

Imports of tubeless steel disc wheels from Brazil did not begin entering the United States until late in 1984. Importers that responded to the Commission's questionnaire held no inventories on December 31, 1984. *** reported inventories totaling *** units at yearend 1985 and *** units on March 31, 1986. As a percentage of shipments by the importing firms, inventories averaged *** percent in 1985 and *** percent during January-March 1986.

Capacity of producers in Brazil to generate exports

Two firms, Borlem S.A. Empreendimentos Industriais (Borlem) and Veiculos E Equipamentos S.A. (FNV), currently produce tubeless steel disc wheels in Brazil for export to the United States. FNV did not begin production of these products until 1985. Production increased from *** units in 1984 to *** units in 1985. Capacity increased from *** units in 1984 to *** units in 1985 and capacity utilization increased from *** percent in 1984 to *** percent in 1985.

The apparent drop in capacity in the first 5 months of 1986, and the corresponding increase in capacity utilization, appear to be the result of a shift in the allocation of capacity from tubeless to tube-type disc wheels, destined largely for the Brazilian market. Respondents stated at the conference that the Brazilian producers can readily shift capacity and production between tubeless and tube-type disc wheels. 1/ In addition to the expansions in capacity by Borlem and FNV in 1985, both producers are in the process of adding even more capacity and will have a combined capacity of *** units per year by the end of 1986. However, respondents report that this additional capacity is not targeted for the U.S. market. 2/

Exports to the United States increased from *** units in 1984 to *** units in 1985. During January-May 1986, *** units were exported to the United States compared with *** units during January-May 1985. Exports to the United States, as a share of total exports dropped from *** percent in 1984 to *** percent in 1985 but increased to *** percent during January-May 1986 (table 13).

Table 13.--Tubeless steel disc wheels: Brazilian production, capacity, home-market shipments, and exports, 1984-85, January-May 1985, and January-May 1986

Item	1984	1/ 1985	January-May--	
			1985	1986
Production.....units..	***	***	***	***
Capacity.....do....	***	***	***	***
Capacity utilization.....percent..	***	***	***	***
Home-market shipments.....units..	***	***	***	***
Exports to:	***	***	***	***
United States.....do....	***	***	***	***
All other countries.....do....	***	***	***	***
Total.....do....	***	***	***	***
Exports to the United States as a	***	***	***	***
share of--	***	***	***	***
Production.....percent..	***	***	***	***
Total exports.....do....	***	***	***	***

1/ Data are for ***. ***.

Source: Compiled from data submitted to the Commission by counsel for Borlem and FNV.

1/ Transcript of the conference, p. 77.

2/ Respondents' post conference brief, p. 3.

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

U.S. imports

U.S. imports of tubeless steel disc wheels are not reported separately in official statistics of the U.S. Department of Commerce. Such imports are reported in a statistical provision (TSUSA item 692.3230) that also includes wheels suitable for use on automobiles, light trucks, and other vehicles not covered by the investigation. 1/

The value of imports under this provision increased annually from \$59.4 million in 1983 to \$148.4 million in 1985, or by 149.8 percent. Imports continued to increase during January-March 1986, reaching a value of \$52.4 million, nearly double the value of imports during the corresponding period in 1985. Japan was the principal source in 1985, supplying 40.5 percent of the total value of imports. West Germany was second with 17.1 percent of the total, Brazil was third with 16.0 percent, and Canada was fourth with 8.1 percent (table 14).

As shown in table 15, principal ports of entry for U.S. imports under TSUSA item 692.3230 from Brazil have been Baltimore, New York City, New Orleans, and Houston.

Tubeless steel disc wheels.--Data on exports to the United States from Brazil of tubeless steel disc wheels, as reported by counsel for Borlem and FNV, began in late 1984. U.S. imports from Brazil increased from *** units in 1984 to *** units in 1985 (see table 16). Imports from Brazil amounted to *** units during January-May 1985 but declined to *** units during January-May 1986. In addition to Brazil, other sources of U.S. imports of tubeless steel disc wheels have included Canada, which is believed to be the principal source, Japan, and West Germany. Complete data are not available with respect to imports from Canada and West Germany.

* * * * *

Data on U.S. imports from Japan were estimated by the product manager of Minebea/NMB, the sole U.S. importer of those products from Japan. U.S. imports of the subject wheels from Japan totaled *** units in 1984, *** units in 1985, and between *** and *** units during January-May 1986. 2/

1/ During 1983-85, the bulk of the imports under this provision consisted of wheels suitable for use on automobiles.

2/ On May 27, 1985, the U.S. Department of Transportation recalled 24,240 tubeless steel disc wheels that had been imported from Japan. The recalled wheels were equivalent to *** percent of the total imports from Japan in 1985. As of Mar. 31, 1986, 14,839 units had been returned for remanufacture, 2,970 units had been scrapped in the United States, and the remaining 6,400 units were unaccounted for. Conversation with *** of the U.S. Department of Transportation, June 19, 1986.

Table 14.--Wheels designed to be mounted with pneumatic tires: 1/ U.S. imports for consumption, by principal sources, 1983-85, January-March 1985, and January-March 1986

Firm	1983	1984	1985	January-March--	
				1985	1986
Value (1,000 dollars)					
Japan.....	15,262	27,200	60,110	10,149	19,817
West Germany.....	6,800	10,366	25,387	3,390	9,272
Brazil.....	9,163	17,483	23,775	4,306	8,794
Canada.....	9,942	14,532	12,090	2,802	2,995
Italy.....	9,576	7,513	7,812	1,043	3,979
Taiwan.....	696	1,284	4,100	1,013	2,432
United Kingdom.....	1,507	7,330	3,836	764	745
All other.....	6,437	9,475	11,259	2,586	4,402
Total.....	59,383	95,183	148,369	26,055	52,436

1/ Data are for TSUSA item 692.3230.

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

Table 15.--Wheels designed to be mounted with pneumatic tires: 1/ U.S. imports from Brazil, by principal ports, 1983-85, January-March 1985, and January-March 1986

Port	1983	1984	1985	January-March--	
				1985	1986
Value (1,000 dollars)					
Baltimore, MD.....	5,739	11,378	9,799	2,743	74
New York, NY.....	1,324	2,318	3,272	475	198
New Orleans, LA.....	10	119	3,221	298	5,909
Houston, TX.....	583	1,534	3,039	298	749
Los Angeles, CA.....	210	1,136	1,963	367	398
San Diego, CA.....	-	105	544	39	226
Savannah, GA.....	197	89	496	-	626
Philadelphia, PA.....	780	337	321	-	120
All other.....	320	467	1,120	86	494
Total.....	9,163	17,483	23,775	4,306	8,794

1/ Data are for TSUSA item 692.3230.

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

U.S. importers' shipments

Shipment data for tubeless steel disc wheels were obtained from two firms that imported from Brazil in 1984 and 1985. 1/ An additional firm reported

1/ As stated earlier, there were no imports of tubeless steel disc wheels from Brazil in 1983. ***.

imports of tubeless steel disc wheels from Brazil during January-March 1986. Shipments reported by importers that responded to the Commission's questionnaire increased from *** units in 1984 to *** units in 1985. Shipments amounted to *** units during January-March 1985 and *** units during January-March 1986, as shown in the following tabulation:

	<u>Quantity</u> <u>(units)</u>	<u>Value</u> <u>(1,000</u> <u>dollars)</u>	<u>Unit</u> <u>value</u>
1984.....	***	***	***
1985.....	***	***	***
Jan.-Mar.--			
1985.....	***	***	***
1986.....	***	***	***

U.S. market penetration

Market penetration by imports from all sources increased annually from 15.8 percent of consumption in 1983 to 49.2 percent of consumption in 1985 and to approximately 51.1 percent in January-March 1986. Market penetration of imports from Brazil, which first entered the United States in late 1984, increased from *** percent of U.S. consumption in 1984 to *** percent in 1985 and dropped to approximately *** percent in January-March 1986 (table 16).

Prices

Tubeless steel disc wheels are durable goods that usually last 9 years or more. Because of their durability, the majority of U.S.-produced tubeless steel disc wheels are sold to OEM's of trucks, tractors, and trailers rather than to the aftermarket. In 1985, 85.3 percent of U.S. producers' shipments of tubeless steel disc wheels were to OEM's. Demand for the tubeless steel disc wheels under investigation depends largely on production of class 6, 7, and 8 trucks and semi-trailers, which is in turn influenced by the demand for freight services and changes in Government transportation regulations. Producers and purchasers have described the demand for tubeless steel disc wheels in both the original equipment market and the smaller aftermarket as cyclical.

The price of tubeless steel disc wheels generally varies with the rim width, rim diameter, type of mounting system (i.e., the number and position of holes), and the market segment.

Sales practices.--U.S. producers sell tubeless steel disc wheels to OEM's for use on their newly produced equipment, to OEM-related service branches and dealers, and to independent distributors. Importers of Brazilian wheels sell primarily to independent distributors, ***. Producers and importers publish manufacturer and distributor pricelists showing net f.o.b. origin prices for small quantities and for trailerload purchases of approximately 400 wheels. Because purchasers, whether OEM's or distributors, are generally responsible for freight costs and delivery arrangements, they tend to order in trailerload

Table 16.--Tubeless steel disc wheels: U.S. producers' domestic shipments, U.S. imports by selected sources, and U.S. consumption, 1983-85, January-March 1985, and January-March 1986

Period	U.S. producers' domestic shipments	Imports from--			U.S. consumption
		Brazil	All other coun- tries	Total	
Quantity (1,000 units)					
1983.....	1,011	***	***	189	1,200
1984.....	1,558	***	***	692	2,250
1985.....	1,092	***	***	1,058	2,150
Jan.-Mar.--					
1985.....	367	1/ ***	***	141	508
1986.....	242	1/ ***	***	253	495
Share of consumption (percent)					
1983.....	84.2	***	***	15.8	100.0
1984.....	69.2	***	***	30.8	100.0
1985.....	50.8	***	***	49.2	100.0
Jan.-Mar.--					
1985.....	72.2	***	***	27.8	100.0
1986.....	48.9	***	***	51.1	100.0

1/ Computed by the Commission staff from exports during January-May 1985 and January-May 1986, which were supplied by counsel for the Brazilian producers.

Source: U.S. producers' shipments compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, U.S. consumption estimated by the petitioner, imports from Brazil submitted by counsel for Brazilian producers and imports from other countries computed by the Commission staff.

quantities. Average leadtimes reported by U.S. producers ranged from 1 to 4 weeks; average leadtimes reported by importers ranged from 1 to 8 weeks.

OEM sales.--The majority of sales to OEM's are on a fixed-period contract basis, although some spot sales to this channel are made as well. For sales to large OEM's, like *** or ***, pricelists are used for reference in negotiations, but transaction prices are generally arrived at by a competitive bidding process. OEM's submit to wheel suppliers their expected volume requirements, standard/option wheel styles, and service needs for the coming year, and request a price quotation on a certain percentage of the needs of the OEM's. The result of the negotiating process is a contractual arrangement, whether formal or informal, that sets the transaction prices for the year. Actual orders are placed throughout the year, and prices may be renegotiated at a later date.

In practice, the distinction between sales to OEM's for use on original equipment and sales to OEM-related dealers for aftermarket resale is not very clear. OEM's often aggregate their expected production-related needs with their aftermarket needs when requesting a bid. Also, OEM's often maintain

parts depot warehouses across the country for their branches and dealers. Wheels originally purchased for production could be used for resale and vice versa, as requirements for cash-flow or input materials dictate.

Distributor sales.--Producers and importers reported that all of their 1985 sales to distributors were on a spot-sale basis. For these sales, net f.o.b. list prices for certain quantity levels generally are the transaction prices, although a large distributor may obtain special discounts through informal negotiations. During periods of slack demand for wheels, 1981 and 1982, for example, consignment sales to distributors have occurred. 1/

Price data.--The Commission requested producers and importers to provide quarterly price data during January 1983-March 1986 on their largest single quarterly sales to OEM's and to distributors of the two standard wheels listed below:

Product 1: Tubeless steel disc wheels in size 22.5 by 8.25 inches, with a 10-hole bolt circle of 11-1/4 inches (285.75 mm).

Product 2: Tubeless steel disc wheels in size 24.5 by 8.25 inches, with a 10-hole bolt circle of 11-1/4 inches (285.75 mm).

Usable price data were received from all of the three U.S. producers of the tubeless steel disc wheels under investigation and from three importers of tubeless steel disc wheels from Brazil. *** was unable to report usable price data for 1983, however. Importers reported price data only from October-December 1984 to January-March 1986 and generally only for sales to distributors. One importer, ***, reported sales to its aftermarket dealers as sales to distributors.

Price trends.--Reported f.o.b. sales prices of U.S.-produced and imported Brazilian tubeless steel disc wheels varied considerably among suppliers during the period under investigation. *** reported transaction prices were often lower than those reported by *** and *** for sales to OEM's and were lower in every quarter on sales to distributors. For sales to distributors, *** prices were almost uniformly the highest by as much as *** per wheel higher than *** prices. One OEM purchaser commenting on a lost sales allegation stated that it would not purchase *** wheels for use in the aftermarket because they were priced too high. 2/ Officials from *** named *** as a price leader, at least among U.S. suppliers. 3/ They confided that they were hesitant to raise prices unless *** did so, for fear of losing market share. Price data received by the Commission generally indicate periods of steady prices, followed by periods of price adjustments. The variance among observed f.o.b. prices could also indicate that transportation costs or nonprice factors play an important role in competition between wheel suppliers. Due to the variance of suppliers' prices, price trends are discussed separately by supplier.

1/ Meeting with *** of ***, June 10, 1986.

2/ Conversation with *** of *** on June 13, 1986.

3/ Meeting with *** of ***, June 10, 1986.

Unusually high demand for tubeless steel disc wheels in 1984 and early 1985 may have affected price trends during the period under investigation. The increased demand likely resulted from the general economic recovery in 1983 and, perhaps more importantly, from changes in Government regulations that increased the maximum allowable length of trailers. Large fleets, such as ***, reportedly delayed trailer purchases while legislation was pending. When the legislation was enacted, they placed large orders to purchase trailers in order to take advantage of the increase in maximum hauling capacity. Heavy demand in the OEM market caused U.S. producers of wheels to put customers on allocation programs in 1984 and 1985. Budd had customers on allocation during March-September 1984; *** had customers on allocation during ***. 1/ Purchasers' difficulties obtaining wheels during this period may have caused upward pressure on producers' prices during late 1984-early 1985.

U.S. price trend overview.--Prior to and since the entrance of Brazilian imports to the U.S. market in late 1984, U.S. producers' prices to both OEM's and distributors have experienced both increases and decreases. Comparisons of 1983 price data with 1986 price data indicate that producers' prices to OEM's and to distributors did not change more than 4 percent in either direction. Price trends on sales to OEM's, which have not purchased imports until recently, are not markedly different from price trends on sales to distributors, the initial buyers of imported Brazilian wheels.

Sales to OEM's.--Producers' prices reported by Budd, Firestone, and Motor Wheel on their largest quarterly sales are shown in tables 17 and 18. From April-June 1983 to January-March 1986, ***'s prices for 22.5-inch wheels to its major customer declined from *** to *** per wheel, or by less than *** percent. 2/ During January-March 1986, ***'s price for 24.5-inch wheels sold to its largest OEM customer was *** per wheel, or the same price as during *** 1983. ***'s sales prices of 22.5-inch wheels to OEM's increased from *** to *** from *** per wheel to *** per wheel, or by *** percent. During the same period, ***'s prices for 24.5-inch wheels increased from *** to *** per wheel, or by *** percent.

Prices reported by U.S. producers were at their highest levels in late 1984 and early 1985, concurrent with the previously mentioned customer allocation programs and also with substantial increases in the size of sales to OEM's for which price data were reported by *** and ***. During ***, ***'s prices for the 24.5-inch wheels increased from *** per wheel *** to *** per wheel, or by *** percent, and remained at that level through ***. 3/ ***'s prices for the 22.5-inch wheels increased during ***, and its prices for 24.5-inch wheels increased during ***, the quarter that imports of Brazilian wheels first entered the U.S. market. For three to four quarters following each of these price increases, ***'s prices were steady at *** to *** percent

1/ Transcript of the conference, p. 61, and meeting with *** of ***, June 10, 1986.

2/ ***'s reported prices to OEM's during *** 1983 for both the 22.5-inch and 24.5-inch wheels for which price data were collected were the highest of its price series. Because these prices involved low-volume sales to a customer other than the one typically cited as its largest quarterly customer, the *** 1983 prices are better for whole-period price level comparisons.

3/ ***'s prices for the 22.5-inch wheels sold to OEM's were steady from *** to *** 1985 at *** per wheel and fell by less than *** percent during ***.

Table 17.--Tubeless steel disc wheels sold to OEM's: U.S. producers' reported f.o.b. selling prices and quantities for their largest single quarterly sales of size 22.5 by 8.25-inch wheels to OEM's, by suppliers and by quarters, January 1983 to March 1986 ^{1/}

Period	Budd		Firestone		Motor Wheel	
	Price	Quantity (units)	Price	Quantity (units)	Price	Quantity (units)
1983:						
Jan.-Mar.....	***	***	***	***	***	***
Apr.-June....	***	***	***	***	***	***
July-Sept....	***	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***	***
1984:						
Jan.-Mar.....	***	***	***	***	***	***
Apr.-June....	***	***	***	***	***	***
July-Sept....	***	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***	***
1985:						
Jan.-Mar. ...	***	***	***	***	***	***
Apr.-June....	***	***	***	***	***	***
July-Sept....	***	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***	***
1986:						
Jan.-Mar.....	***	***	***	***	***	***

^{1/} The full specification is tubeless steel disc wheels in size 22.5 by 8.25 inches, with a 10-hole bolt circle of 11-1/4" (285.75 mm).

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

Table 18.--Tubeless steel disc wheels sold to OEM's: U.S. producers' reported f.o.b. selling prices and quantities for their largest single quarterly sales of size 24.5 by 8.25-inch wheels to OEM's, by suppliers and by quarters, January 1983 to March 1986 ^{1/}

Period	Budd		Firestone		Motor Wheel	
	Price	Quantity (units)	Price	Quantity (units)	Price	Quantity (units)
1983:						
Jan.-Mar.....	***	***	***	***	***	***
Apr.-June.....	***	***	***	***	***	***
July-Sept.....	***	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***	***
1984:						
Jan.-Mar.....	***	***	***	***	***	***
Apr.-June.....	***	***	***	***	***	***
July-Sept.....	***	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***	***
1985:						
Jan.-March....	***	***	***	***	***	***
Apr.-June.....	***	***	***	***	***	***
July-Sept.....	***	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***	***
1986:						
Jan.-Mar.....	***	***	***	***	***	***

^{1/} The full specification is tubeless steel disc wheels in size 24.5 by 8.25 inches, with a 10-hole bolt circle of 11-1/4 inches (285.75 mm).

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

*** price levels. During *** 1985, ***'s prices for both product categories also increased to approximately *** percent above the *** price levels and were steady through ***. In recent quarters, producers' prices on their sales to OEM's have declined somewhat.

Sales to distributors.--Tables 19 and 20 show producers' and importers' f.o.b. prices on sales to distributors. ***'s and ***'s prices for sales to distributors generally experienced slight increases during the period under investigation. From *** to ***, ***'s prices for 22.5-inch wheels sold to distributors rose from *** to *** per wheel, or by *** percent. This producer's prices on its sales of 24.5-inch wheels fell during this period, however, from *** per wheel during *** to *** per wheel during ***, or by *** percent. ***'s prices on sales to distributors increased by almost *** percent for both product categories during the period under investigation. From *** 1983 to ***, ***'s prices for the 22.5" wheels rose from *** to *** per wheel, or by *** percent. This producer's prices for the 24.5-inch wheels increased *** percent from *** per wheel in *** to *** per wheel during ***.

During July-September 1983, while ***'s prices to distributors for both wheel sizes fell by roughly *** per wheel, ***'s prices for both wheel sizes increased by approximately *** per wheel. During ***, *** subsequently lowered its prices for both wheels by around *** for the 22.5-inch wheel and by more than *** per wheel for the 24.5-inch wheel. Unlike price data reported by *** and *** for sales to OEM's, these producers' reported quantities for sales to distributors (not shown) did not reveal substantial increases in quantities sold during 1984-early 1985. However, *** raised their prices to distributors at approximately the same time that they raised their prices to their OEM customers. During ***, ***'s prices for both wheel sizes and ***'s prices for the 22.5 inch wheel increased by around *** per wheel. 1/ During ***, *** also increased its prices by approximately *** per wheel. *** maintained its higher prices for the remainder of the periods for which it reported pricing data. Following several quarters of steady prices, ***'s prices to distributors for the 22.5- and 24.5-inch wheels fell by approximately *** per wheel during ***. *** maintained its higher prices until ***, when it also lowered its prices for both wheels by *** per wheel.

Importers' price trends.--For the purposes of price trends, sufficient importers' price data are available only for sales to distributors from October-December 1984 to January-March 1986. Price trends varied among the two major reporting importers during this period. ***'s prices increased for the 22.5-inch wheel imported from Brazil from *** per wheel during *** to *** per wheel during ***, or by *** percent. This importer's prices for the 24.5-inch wheels increased during the same period from *** to *** per wheel, or by *** percent. Unlike the prices of ***, ***'s prices of imported Brazilian wheels sold to its *** decreased by *** to *** percent during the period under investigation. ***'s prices for the 22.5-inch wheel were *** per wheel during *** and fell to *** to *** per wheel during ***. This importer's prices of the larger 24.5-inch wheel were *** per wheel during *** and declined to *** to *** per wheel during ***. Asked why ***'s prices to its *** fell considerably in 1985 in comparison with its 1984 prices, a

1/ ***'s prices for the 24.5-inch wheels sold to distributors were steady from *** through ***.

Table 19.--Tubeless steel disc wheels sold to distributors: Producers' and importers' f.o.b. prices on their largest single quarterly sales of size 22.5 by 8.25 inch wheels to distributors, by suppliers and by quarters, January 1983 to March 1986 ^{1/}

Period	Producers' prices			Importers' prices		
	Budd	Fire-stone	Motor Wheel	***	***	***
	-----Per unit-----					
1983:						
Jan.-Mar.....	***	***	***	***	***	***
Apr.-June.....	***	***	***	***	***	***
July-Sept.....	***	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***	***
1984:						
Jan.-Mar.....	***	***	***	***	***	***
Apr.-June.....	***	***	***	***	***	***
July-Sept.....	***	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***	***
1985:						
Jan.-Mar.....	***	***	***	***	***	***
April-June....	***	***	***	***	***	***
July-Sept.....	***	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***	***
1986:						
Jan.-Mar.....	***	***	***	***	***	***

^{1/} The full specification is tubeless steel disc wheels in size 22.5 by 8.25 inches, with a 10-hole bolt circle of 11-1/4 inches (285.75 mm).

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

Table 20.--Tubeless steel disc wheels sold to distributors: Producers' and importers' f.o.b. prices on their largest single quarterly sales of size 24.5 by 8.25-inch wheels to distributors, by suppliers and by quarters, January 1983 to March 1986 ^{1/}

Period	Producers' prices			Importers' prices	
	Budd	Fire-stone	Motor wheel	***	***
	-----Per unit-----				
1983:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June.....	***	***	***	***	***
July-Sept.....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1984:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June.....	***	***	***	***	***
July-Sept.....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1985:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June.....	***	***	***	***	***
July-Sept.....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1986:					
Jan.-Mar.....	***	***	***	***	***

^{1/} The full specification is tubeless steel disc wheels in size 24.5 by 8.25 inches, with a 10-hole bolt circle of 11-1/4 inches (285.75 mm).

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

spokesman for the importer replied that, due to tight supply conditions in 1984, the importer probably could have gotten even higher prices in 1984. By mid-1985, however, supply conditions had reportedly improved and the importer decided to lower its prices.

Prices of Japanese wheels.--Based on conversations with several distributors on June 26 and 27, 1986, it appears that, during January-June 1986, surplus Japanese wheels were the lowest-priced wheels available. These distributors generally believe that the Japanese wheels are not inferior. 1/ ***.

Price comparisons.--The reported selling price data for producers' and importers' largest quarterly sales during January 1983-March 1986 resulted in 15 f.o.b. price comparisons between weighted-average f.o.b. prices of U.S.-produced and imported Brazilian tubeless steel disc wheels. Because these price comparisons are available on an f.o.b. basis only, the margins discussed reflect differences in the average net returns received by producers and importers. Depending on a purchaser's location, the actual differences in the average final delivered purchase prices for U.S.-produced versus imported wheels could be slightly more or slightly less than the producers' and importers' price data indicate.

OEM price comparisons.--Price data provided three f.o.b. price comparisons on sales to OEM's during late 1985-early 1986. All of these comparisons showed underselling by importers of the subject product. During ***, the weighted-average f.o.b. price of U.S.-produced 22.5" wheels was *** per wheel, and the weighted-average price for these wheels from Brazil was *** per wheel. Thus, suppliers of Brazilian wheels undersold domestic producers on sales to OEM's by *** per wheel or by *** percent. Two quarterly price comparisons for the 24.5-inch wheel sold during *** and *** also showed underselling by importers of Brazilian wheels. These weighted-average price comparisons are shown in the following tabulation:

<u>Period</u>	<u>U.S. Price</u>	<u>Brazilian Price</u>	<u>Margin of underselling</u>	
			<u>(Amount)</u>	<u>(Percent)</u>
*	*	*	*	*

Distributor price comparisons.--All 12 quarterly price comparisons on sales to distributors showed underselling by importers of Brazilian wheels, and margins of underselling were consistently higher in this market segment. Price comparisons on sales to distributors are shown in table 21. Importers of Brazilian wheels undersold U.S. producers of the 22.5-inch wheels by *** to *** per wheel, or from *** to *** percent of U.S. producers' prices. Underselling on importers' sales of the 24.5-inch wheels was generally slightly lower and ranged from *** to *** per wheel, or from *** to *** percent of U.S. producers' prices. During ***, ***'s prices for the 24.5-inch wheel were higher than those of all the U.S. producers (table 20). During the same period, this importer's prices for the 22.5-inch wheel were higher than those of *** but lower than those of *** and *** (table 19).

1/ Conversations with representatives of ***, ***, ***, ***, and ***.

Table 21.--Tubeless steel disc wheels: U.S. producers' and importers' weighted- average f.o.b. prices and average margins (per wheel) by which Brazilian imports of subject product undersold U.S.-produced wheels on sales to distributors, by product and by quarters, October 1984-March 1986

Period	U.S. price	Brazilian price	Margins of underselling	
			22.5 by 8.25 inches 1/	
	-----Per unit-----		<u>Amount</u>	<u>Percent</u>
1984:				
Oct.-Dec.....	***	***	***	***
1985:				
Jan.-Mar.....	***	***	***	***
Apr.-June.....	***	***	***	***
July-Sept.....	***	***	***	***
Oct.-Dec.....	***	***	***	***
1986:				
Jan.-Mar.....	***	***	***	***
			24.5 by 8.25 inches 2/	
	-----Per unit-----		<u>Amount</u>	<u>Percent</u>
1984:				
Oct.-Dec.....	***	***	***	***
1985:				
Jan.-Mar.....	***	***	***	***
Apr.-June.....	***	***	***	***
July-Sept.....	***	***	***	***
Oct.-Dec.....	***	***	***	***
1986:				
Jan.-Mar.....	***	***	***	***

1/ The full specification is tubeless steel disc wheels in size 22.5 by 8.25 inches, with a 10-hole bolt circle of 11-1/4 inches (285.75 mm).

2/ The full specification is tubeless steel disc wheels in size 24.5 by 8.25 inches, with a 10-hole bolt circle of 11-1/4 inches (285.75 mm).

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

Note.--Percentage margins of underselling were calculated from unrounded weighted-average prices. Thus, they cannot always be duplicated using the rounded weighted-average prices presented in the above table.

Transportation costs

U.S. producers' production facilities for the tubeless steel disc wheels covered by this investigation are located in Ohio and Kentucky. Producers, importers, and purchasers stated that transportation costs do play a role in competition between suppliers. 1/ All U.S. producers indicated that they market tubeless steel disc wheels nationally, and *** and *** also stated that they sell the subject product in ***. Of the reporting importers, *** markets its products nationally, whereas *** sells tubeless steel disc wheels on the gulf coast and east coast, and *** sells the subject product east of Denver, CO.

Because tubeless steel disc wheels are sold on an f.o.b. origin basis, respondents could only estimate purchasers' U.S. inland transportation costs. U.S. producers estimated that purchasers' transportation costs ranged from 2 to 3.7 percent of the final delivered price. Importers estimated that transportation costs ranged from 1 to 8 percent of the final delivered price. One importer, ***, stated that U.S. inland transportation costs paid by purchasers on factory-drop truckload shipments direct from the Brazilian producer were approximately *** percent, whereas such costs for imported wheels bought f.o.b. *** warehouse averaged *** percent. A spokesman from *** further explained that, if a customer can wait approximately 6 months for a factory direct shipment from Brazil, it will do so in order to save on U.S. inland transportation costs.

Factors important in purchasing decisions

Price, availability, and quality are cited most often as the major factors pertinent to purchasers' procuring decisions. That most wheel purchasers buy from all three U.S. manufacturers is some indication of the importance of availability. OEM's like to have wheel producers make bids for a percentage, rather than all, of their annual requirements. Two OEM's stated that a very desirable characteristic of a wheel supplier is the ability to provide "just-in-time" delivery. 2/ Just-in-time delivery means that a wheel supplier agrees to have ready for shipment a smaller amount of wheels on a more frequent basis to be used for the manufacturer's short-term production. Providing the service requires greater planning on the supplier's part and reduces the inventory costs for materials of the OEM.

One distributor stated his belief that availability was crucial to his business because of the increase in competition between original equipment trailer manufacturers and distributors for the aftermarket. The distributor's agent perceived that, while his company had supply difficulties during late 1984-early 1985, original equipment trailer manufacturers were able to obtain

1/ Meeting with *** of *** on June 10, 1986. Meeting with *** of *** on June 9, 1986. Conversation with *** on ***.

2/ Meeting with *** and *** of ***, June 10, 1986. See also response of Purchaser #5 in the "Lost sales and lost revenues" section.

all the wheels they needed and were competing in the aftermarket unfairly. 1/ During 1984-85, tire dealers allegedly bought wheels and rims from OE-trailer dealers because distributors could not meet their needs. This indirect OE-trailer manufacturer competition in the aftermarket reportedly has grown since 1978, and was accelerated during the period of short supply because wheel manufacturers naturally wanted to supply these bigger customers first. 2/

Exchange rates

Table 22 presents indexes of the nominal and real exchange rates between the U.S. dollar and the Brazilian cruzeiro and indexes of producer prices in the United States and Brazil, by quarters, from January-March 1983 (the base period) through October-December 1985. 3/ During this period, the Brazilian currency depreciated steadily, declining by 96 percent against the dollar since the base period. Because of the high rate of Brazilian inflation, the nominal-exchange-rate index does not explain changes in the real value of the Brazilian currency. Adjusted for inflation, the real value of the Brazilian currency relative to the dollar has been fairly steady. At its lowest point during April-June 1983, the real value of the cruzeiro was 10 percent lower in real terms than during the base period. During October-December 1985, the real value of the cruzeiro was the same as in the base period.

Lost sales and lost revenues

Budd, Motor Wheel, and Firestone all indicated in their questionnaire responses that they believe they have lost sales and have lost revenues from price reductions, due to lower priced imports of the subject product from Brazil. Only *** provided specific allegations of lost sales or lost revenues. *** stated in its questionnaire response that "***." The majority of ***'s allegations, however, involved sales to ***.

1/ OEM's can get a manufacturer's lower price for large volumes and divert some product to their parts depot warehouses for use by their dealers. Because original equipment trailer service dealers do not have to inventory much product, they have lower costs and can charge the same price or even a lower price than a distributor does.

2/ Meeting with *** of ***, June 9, 1986.

3/ As part of a recent initiative to reduce inflation in Brazil, the cruzado replaced the cruzeiro as Brazil's official currency. The cruzado is worth 1,000 cruzeiros. Because the cruzeiro was the official currency up to January-March 1986 or April-June 1986, the Brazilian currency is still referred to as the cruzeiro for the purposes of this discussion.

Table 22.--Indexes of producer prices in the United States and Brazil, 1/ and indexes of the nominal and real exchange rates between the U.S. dollar and the Brazilian cruzado, 2/ by quarters, January 1983-December 1985

(January-March 1983=100)				
Period	U.S. Producers Price Index	Brazilian Producers Price Index	Nominal- exchange- rate index	Real- exchange- rate index
			---Dollars per cruzado---	
1983:				
January-March.....	100.0	100.0	100.0	100.0
April-June.....	100.3	132.2	68.5	90.3
July-September.....	101.2	189.4	51.1	95.6
October-December....	101.8	266.9	37.6	98.6
1984:				
January-March.....	102.9	351.9	28.6	97.7
April-June.....	103.6	467.4	21.5	97.2
July-September.....	103.3	623.8	16.3	98.2
October-December....	103.0	871.7	11.9	100.9
1985:				
January-March.....	102.9	1201.3	8.7	101.2
April-June.....	103.0	1536.3	6.2	93.0
July-September.....	102.2	2017.9	4.8	94.6
October-December....	102.9	2858.0	3.6	100.5

1/ Producer price indicators--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.

2/ Exchange rates expressed in U.S. dollars per Brazilian cruzado.

Source: International Monetary Fund, International Financial Statistics.

*** cited 9 purchasers in 5 allegations of lost sales and 12 allegations of revenues lost in price reductions to avoid losing sales to imported Brazilian wheels. The lost sales allegations cover the period ***, and involve *** wheels or *** in sales revenue. 1/ One of these instances, involving *** wheels, appears to be an annual contract negotiation. The lost revenue allegations cover the period *** and involve *** in sales revenue lost on sales of *** wheels. In all but two lost revenue allegations, the accepted quotation for U.S.-produced wheels was higher than the alleged quotation for the imported Brazilian wheels. The Commission staff was able to contact seven of the nine purchasers cited; a summary of their responses appears below.

Purchaser 1---*** alleged that it lost *** sale of *** wheels to ***, ***, because the distributor purchased Brazilian wheels instead. A spokesman for the distributor reported that, from mid-1984 to sometime in early 1985, *** experienced severe problems obtaining tubeless steel disc wheels from all of its U.S. suppliers--Motor Wheel, Firestone, and Budd Co.--due to an increase in the demand for wheels. The distributor was unable to buy any

1/ The total units involved in ***'s alleged lost sales are *** percent of total imports from Brazil for the years 1984-85.

wheels from *** or ***. The purchaser believes that *** and *** were selling only to OEM customers during this entire period. *** put this purchaser on an allocation program that was less than *** percent of ***'s purchasing needs at the time, but was unable to meet the agreed-upon allocation. For example, the purchasing agent for the company estimated that, in late 1984, *** needed approximately *** wheels per month. *** was promising them *** wheels per month, and delivering only *** wheels. Thus, in mid-1984, *** began purchasing Brazilian wheels and has since purchased Brazilian wheels produced by Borlem and FNV. The leadtime for Brazilian wheels during mid-1984 was reportedly as much as 9 to 10 months.

The purchaser reported that the major factors pertinent to the company's procuring decisions are, in order of importance, price, availability, and ease of purchase. This purchaser stated that, currently, it is "nowhere near as advantageous" to purchase Brazilian wheels because U.S.-produced wheels have become price competitive. When demand for tubeless steel disc wheels began to recede in mid-1985, prices of U.S.-produced wheels began to fall as well. A particular *** that was selling for *** (f.o.b. factory) in 1984 is now *** and compares favorably with a Borlem wheel selling at *** (f.o.b. *** warehouse). To buy Brazilian wheels from a U.S. importer today, the distributor must provide an irrevocable letter of credit 90 to 120 days (current leadtime) before the wheels arrive. As of June 1986, *** had not purchased any Brazilian wheels in 1986, although it is still carrying Brazilian wheels in its inventory. *** has purchased U.S.-produced wheels from all of its U.S. suppliers in 1986.

Purchaser 2.---*** alleged a lost sale and lost revenue allegations involving ***. *** alleged that, in ***, it lost a sale of *** wheels, based on an estimate of ***, because the company bought Brazilian wheels instead. *** also alleged that, in ***, it had to reduce its prices to *** by around *** per wheel, on approximately *** wheels, due to price competition from Brazilian wheels.

Regarding the lost sales allegation, a spokesman for *** stated that they were unable to obtain sufficient quantities of wheels in 1984 from domestic sources ***. Even though they were one of ***'s best customers and were booked up to capacity, ***, could not meet their wheel orders. On one occasion, *** placed an order with ***, and 6 weeks later *** told *** that they would be unable to supply that order, so *** might want to take it off their books. From *** to ***, *** was allegedly unable to purchase wheels from any of the three major U.S. wheel producers. ***'s spokesman attributes the tight wheel supply situation in 1984 and early 1985 to the tremendous increase in trailer production, stating that there were approximately 213,000 trailers built in 1984, compared to 125,000 trailers built in 1983.

*** began selling Brazilian wheels to its *** during ***. The purchaser's spokesman stated that *** imports Brazilian wheels solely for its *** needs, and that it would not have purchased *** wheels for its *** needs because, at least in 1984 and 1985, they were too expensive. Asked if *** would consider using Brazilian wheels on its ***, the spokesman said he would not want to take the risk of trying to enforce the producer's warranty in Brazil. If there was a large batch of wheels with quality problems, he would want to be able to call *** and have them solve the problem right away.

Regarding the *** lost revenue allegations for 22.5- and 24.5-inch wheels, *** stated that, in ***, *** did reduce its prices to *** by *** per wheel on approximately *** to *** wheels after *** told *** that they would not buy from them because ***'s prices were *** higher than the prices of the other U.S. producers. *** offered *** *** less than the prices of the other U.S. producers, and *** accepted the bid.

Purchaser 3.---*** cited *** in lost revenue allegations involving approximately *** 22.5- and 24.5-inch Brazilian wheels purchased in ***. In its allegation, *** reported that the price reductions were approximately *** per wheel. *** purchases U.S.-produced wheels from Budd, Firestone, and Motor Wheel. The spokesman stated that, in ***, *** would have been soliciting bids for its 1986 purchases, and that prices from his U.S. suppliers have declined during 1983-86. However, the purchasing agent stated that *** has never pressured suppliers for price reductions due to lower prices of Brazilian wheels because Brazilian wheels are not approved for use on their ***. Apparently, their engineers have not approved them for use due to some unfavorable test data. This purchaser said that U.S. producers compete with each other on the basis of price and service, and stated that there is no real difference in the U.S. producers from a quality standpoint. Timely delivery is reportedly an important part of service considerations. This *** reported no difficulties obtaining wheels during 1984, even though it was a "record year" for the *** industry. The purchasing agent cited 1979 as the last year that was as good as 1984 for the *** industry.

Purchaser 4.---*** alleged that it had to reduce its prices by *** per wheel for approximately *** 22.5- and 24.5-inch wheels sold to *** in ***, due to price competition from Brazilian wheels. A spokesman for the manufacturer stated that *** purchases U.S.-produced wheels from Firestone, Goodyear, and Budd. The purchasing agent is on instructions from the head of the purchasing department not to buy Brazilian wheels but is unsure of the reasons for those instructions. The spokesman stated that *** has never pressured its U.S. suppliers to reduce their prices because of Brazilian wheels. In ***, *** received price reductions both from *** and *** of approximately *** per wheel because these producers were competing with each other for ***'s business.

Purchaser 5.---*** alleged that it lost a sale of *** tubeless steel disc wheels to *** in ***, because this purchaser bought lower priced Brazilian wheels instead. In its allegation, *** stated that its *** price quote was *** per wheel, and that it believed the Brazilian wheels were selling for *** per wheel. A spokesman for *** stated that they first ordered Brazilian wheels in late 1984 because U.S.-produced wheels were unavailable from any of the three major suppliers. ***'s spokesman stated that all three U.S. producers had *** on allocation programs for a period of approximately 1-1/2 years, but even so, shipments of U.S.-produced wheels were often 3 months late during this period. The first order of Brazilian wheels from Borlem were higher priced than U.S. wheels and did not arrive until ***. The spokesman estimated that the Brazilian wheels were priced at *** per wheel, compared with *** per wheel from *** and ***. In about ***, *** ordered *** Brazilian wheels from FNV for approximately *** per wheel, and these were lower priced than U.S. wheels selling at the time. These wheels reportedly arrived in ***; thus, the leadtime was approximately 3 months. *** later stated that *** is their third source of supply because *** has always been higher priced than other U.S. producers, and that *** traditionally has had the lowest prices among U.S. producers.

The major factors important in ***'s purchasing decisions are, in descending order, quality, availability/delivery, and price. Transportation costs were later cited as also playing a role in purchasing decisions. Regarding availability/delivery, the crucial factor is reportedly when the wheels will be available for shipment, i.e., leadtime. The spokesman stated that the quality of U.S.-produced and Brazilian wheels was the same in terms of meeting standard specifications and percentage of returns. However, the purchaser also stated that *** would not buy Brazilian (FNV) wheels if they were higher priced than U.S.-produced wheels because Brazilian wheels are approximately 6 pounds heavier. Heavier wheels are undesirable for manufacturing purposes because they increase the weight of ***'s finished product considerably. A weight difference of 6 pounds multiplied by *** wheels per *** increases the weight of ***'s finished product by *** pounds. Fleets prefer to purchase lighter *** for fuel economy and maximum payload. The spokesman said there was a slight (1 to 3 pounds per wheel) difference between the weight of U.S. producers' wheels, but that ***.

***'s spokesman reported that it currently purchases U.S.-produced and Brazilian wheels, and that, as of ***, Brazilian wheels were priced at *** to *** per wheel, while U.S.-produced wheels were priced at *** to *** per wheel. Asked about Japanese wheels, ***'s spokesman replied that he heard that *** Japanese wheels are currently sitting on the West coast selling for *** or less per wheel. Because these wheels have been involved in a recall, purchasers are reluctant to buy them, however, the spokesman added.

Purchaser 6.---*** was cited by *** in lost revenue allegations involving a *** price reduction on a *** for *** 22.5- and 24.5-inch wheels negotiated in ***. *** has never purchased Brazilian wheels and purchases U.S.-produced wheels from Firestone, Motor Wheel, and Budd. Asked about a *** price reduction of approximately *** per wheel, the spokesman replied, "****?" The spokesman stated that he has two *** proposals pending from *** and *** to be ***'s standard wheels supplier for the coming year. Asked about ***, the purchaser replied that *** uses *** for nonstandard/option wheels when a customer requests them. The purchaser stated that all three U.S. producers were reducing their prices to *** currently on some sizes of tubeless steel disc wheels, even though *** has never pressured his suppliers about lower priced Brazilian wheels. The particular tubeless steel disc wheels experiencing decreases vary among producers.

Quality, availability, and price were mentioned as the major factors affecting purchasing decisions. ***'s spokesman stated that, although wheel supplies were tight a couple of years ago, they were able to purchase all they needed by relying on their secondary U.S. suppliers. As ***, *** prefers suppliers who can provide just-in-time delivery. The spokesman stated that *** considers just-in-time delivery and quality first, and "all that being equal, you then look at price." Asked about Japanese wheels, the spokesman stated that they may have been a factor a couple of years ago when Japanese wheels were lower priced than U.S.-produced wheels. However, he stated his belief that Japanese wheels are not price competitive today.

Purchaser 7.---*** cited *** in lost revenue allegations involving price reductions of *** per wheel on approximately *** 22.5- and 24.5-inch wheels purchased in ***. The head of purchasing for ***, ***, reported that the company has never purchased Brazilian wheels. Regarding price reductions

during the period cited in the allegation, the spokesman would only state that they have received price reductions on U.S.-produced wheels but not because of price competition from Brazilian wheels. *** reportedly has put pressure on its standard wheel suppliers to keep their prices low so that *** can compete in the market for its finished product. Demand for *** in 1986, according to the company's spokesman, is much lower than demand in 1984.

APPENDIX A

THE COMMISSION'S FEDERAL REGISTER NOTICE

INTERNATIONAL TRADE COMMISSION

(Investigation No. 731-TA-335
(Preliminary))

Import Investigations; Tubeless Steel Disc Wheels From Brazil

AGENCY: International Trade Commission.

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

SUMMARY: The Commission gives notice of the institution of preliminary antidumping investigation No. 731-TA-335 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil of tubeless steel disc wheels,¹ provided for in item 692.32 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete a preliminary antidumping investigation in 45 days, or in this case by July 7, 1986.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

EFFECTIVE DATE: May 23, 1986.

FOR FURTHER INFORMATION CONTACT: Bruce Cates (202-523-0369), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on May 23, 1986 by the Budd Company, Troy, Michigan.

¹ Such wheels are designed to be mounted with pneumatic tires and are suitable for use on class 6, 7, and 8 trucks, including tractors, and for use on semi-trailers.

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 § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the 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.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 10:00 a.m. on June 18, 1986, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Bruce Cates (202-523-0369) not later than June 12, 1986, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written submissions

Any person may submit to the Commission on or before June 18, 1986, a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). 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 must 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 § 201.8 of the Commission's rules (19 CFR 201.8).

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: June 2, 1986.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 86-12697 Filed 6-4-86; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B
LIST OF WITNESSES

Calendar of Public Conference

Investigation No. 731-TA-335 (Preliminary)

TUBELESS STEEL DISC WHEELS FROM BRAZIL

Those listed below appeared as witnesses at the United States International Trade Commission conference held in connection with the subject investigation at 10:00 a.m. on June 16, 1986, in the Hearing Room of the USITC Building, 701 E Street, NW, Washington, DC.

In support of the imposition of antidumping duties

Barnes, Richardson & Colburn—Counsel
Washington, DC
on behalf of

The Budd Company, Wheel and Brake Division

Mr. George J. Schuster, President

Mr. Neily J. Wagner, Manager,
Product Planning & Market Research

Mr. Herman Foster, Counsel

James H. Lundquist) —OF COUNSEL
Matthew J. Clark)

Sharretts, Paley, Carter & Blauvelt, PC—Counsel
Washington, DC
on behalf of

Tecrim, Inc., and Cal Chrome, Inc.
Mr. Howard Wilkinson, Vice President

Peter O. Suchman—OF COUNSEL

In opposition to the imposition of antidumping duties

Willkie Farr & Gallagher—Counsel
Washington, DC
on behalf of

Prudential Supply Corp.

Roy Landesberg, President

Borlem S.A. Empreendimentos Industriais

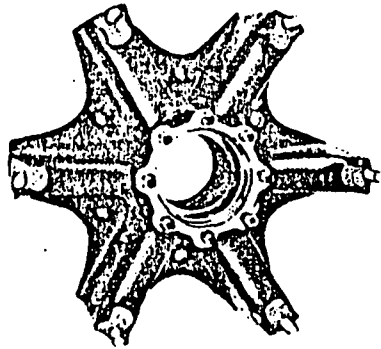
FNV-Veiculos E Equipamentos S.A.

William H. Barringer) —OF COUNSEL
Robert Peterson)

APPENDIX C
TYPES OF WHEELS

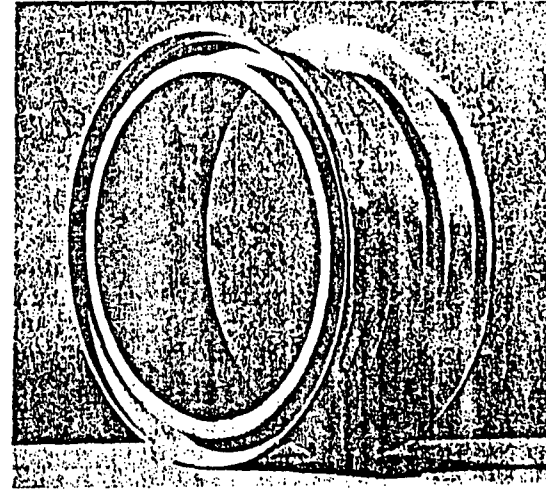
ALTERNATIVE WHEEL SYSTEMS
FOR MEDIUM (CLASS 6-7) HEAVY (CLASS 8) TRUCKS & TRAILERS

CAST SPOKE HUB



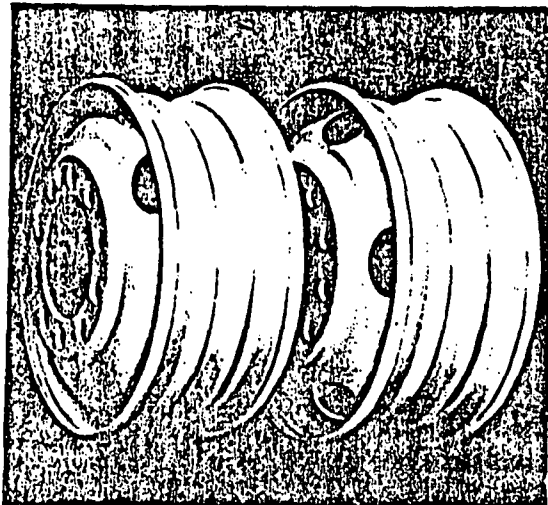
with

DEMOUNTABLE RIM



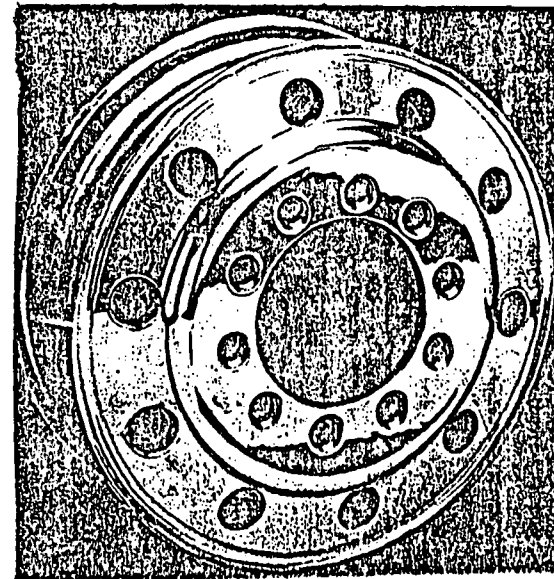
DISC WHEELS

STEEL *



or

ALUMINUM



* Subject of this petition.

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

OFFICIAL BUSINESS

ADDRESS CORRECTION REQUESTED

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U.S. International Trade Commission



ITC-653

ADDRESS CHANGE

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shown above.