TUBELESS STEEL DISC WHEELS FROM BRAZIL

Determination of the Commission in Investigation No. 731-TA-335 (Final) 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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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-335 (Final)

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 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is threatened with material injury by reason of imports from Brazil of tubeless steel disc wheels, 3/ provided for in item 692.32 of the Tariff Schedules of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV). Vice Chairman Brunsdale and Commissioners Eckes, Lodwick, and Rohr further determine, pursuant to section 735(b)(4)(B) of the Act (19 U.S.C. § 1673d(b)(4)(B)), that they would not have found material injury but for any suspension of liquidation of entries of the subject merchandise.

Background

The Commission instituted this investigation effective December 29, 1986, following a preliminary determination by the Department of Commerce that imports of tubeless steel disc wheels from Brazil were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of January 22, 1987, (52 F.R. 2461). The hearing was held in Washington, DC, on March 24, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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 Liebeler dissenting.

3/ Such wheels are designed to be mounted with pneumatic tires, have a rim diameter of 22.5 inches or greater, and are suitable for use on class 6, 7, and 8 trucks, including tractors, and on semi-trailers and buses.

VIEWS OF VICE CHAIRMAN ANNE BRUNSDALE AND COMMISSIONERS ALFRED ECKES, SEELEY LODWICK, AND DAVID ROHR

We determine that an industry in the United States is threatened with material injury by reason of less than fair value (LTFV) imports from Brazil of tubeless steel disc wheels. 1/ 2/ 3/

This investigation revealed that consumption of tubeless steel disc wheels increased throughout 1984 and peaked in early 1985. Initially, the domestic industry was unable to meet the rapid increase in demand, and imports from Brazil and other countries entered the market. By 1986, however, as consumption began to decline, the performance of the domestic industry declined at a much faster rate. Production, employment, and financial indicators all showed significant deterioration, and industry profitability decreased rapidly.

Given the apparent vulnerability of the domestic industry, our determination of threat of material injury is based on Brazil's current position in the U.S. market, the continued importance of the U.S. market to Brazilian producers, the substantial growth in Brazilian capacity, the substantial idle capacity in Brazil, and Brazil's pricing behavior.

1/ We would not have found material injury even if there had been no suspension of liquidation of entries of the subject merchandise.

2/ Chairman Liebeler joins this opinion on the questions of the definition of the like product and the domestic industry and the description of the condition of the industry.

3/ Material retardation of an industry in the United States is not an issue in this investigation and will not be discussed further.

Like product and domestic industry [4/]

The imported article subject to investigation is steel disc wheels (SDWs) designed to be mounted with tubeless pneumatic tires and having a rim diameter of 22.5 inches or greater (tubeless SDWs). These wheels are suitable for use on class 6, 7, and 8 trucks, including tractors, and on semi-trailers and buses. [5/] Tubeless SDWs consist of a steel disc and a rim welded to form a single unit. They are widely used with tubeless radial tires because such tires have lower rolling resistance, giving longer tread life and increased fuel economy. [6/]

In its preliminary determination, the Commission found the like product to be domestically produced tubeless SDWs and the domestic industry to be the three firms that produce tubeless SDWs. [7/] We excluded from the scope of the like product (1) tubeless SDWs for classes 1 through 5 vehicles, (2) SDWs for tubed tires, (3) cast spoke and demountable rim wheels (CSDRWs), and

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4/ As a threshold matter in all antidumping investigations, the Commission must define the domestic industry that could be affected by the imports under investigation. The term "industry" is defined in section 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 19 U.S.C. § 1677(4)(A). "Like product," in turn, is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ." 19 U.S.C. § 1677(10).

5/ The scope of the investigation is determined by the Department of Commerce (Commerce), which has defined the imported article as follows: "tubeless steel disc wheels designed to be mounted with pneumatic tires having a rim diameter of 22.5 inches or greater, suitable for use on class 6, 7 and 8 trucks, including tractors, and for use on semi-trailers and buses, as currently provided for under number 692.3230 of the [TSUSA]." 52 Fed. Reg. 8947 (Mar. 20, 1987).

6/ Report of the Commission (Report) at A-2.

7/ Tubeless Steel Disc Wheels from Brazil, Inv. No. 731-TA-335 (Preliminary), USITC Pub. 1872 at 5-6 (July 1986) (Steel Disc Wheels Preliminary).

(4) aluminum disc wheels. [8/] Both the petitioner and the respondent support this definition and the exclusions in this final investigation. [9/]

Two like product questions are presented by this final investigation: (1) whether to distinguish between "hub-piloted" and "stud-piloted" tubeless SDWs and (2) whether to include within the scope of the like product any of the four other types of wheels enumerated above.

During the hearing, respondents asserted that a new type of wheel, called "hub-piloted," has become an increasingly popular alternative to the "stud-piloted" wheels found on most truck axles. [10/] They alleged that imports from Brazil, which consist almost exclusively of stud-piloted wheels, will allegedly be shut out by this market trend. [11/] In fact, however, the hub-piloted wheel is not a new technology. It is manufactured in Brazil and--in small quantities--exported to the United States. [12/]

The scope of investigation does not distinguish between hub-piloted and stud-piloted wheels. The product subject to investigation, as defined by Commerce, includes all tubeless SDWs. Both hub- and stud-piloted types of wheels are imported into the United States and domestically produced. Finally, although not operationally interchangeable, they both have the same end use.

8/ Id. at 5, n.13.
9/ Prehearing Brief of Petitioner at 3 and Transcript of the hearing (Tr.) at 146-47, respectively.
10/ Tr. at 120. There are certain physical differences between these two types of tubeless SDWs and, once installed on a truck, neither type may be substituted for the other without conversion of the mounting assembly. Report at A-3.
11/ Tr. at 121.
12/ Report at A-3.

The other four types of wheels described above differ significantly from tubeless SDWs. [13/] SDWs for class 1-5 vehicles have a less than 22.5 inch diameter and are used, for example, on passenger cars and pickup trucks. SDWs for tubed tires include an additional "side ring" joined to the rim and are made from a different type of steel from that used for tubeless SDWs. CSDRWs consist of two components bolted together to form the wheel. Aluminum disc wheels are not only made from a different metal, but are also substantially lighter than tubeless SDWs, so that they are used, inter alia, where gross vehicle weight limitations are important. [14/] CSDRWs and aluminum disc wheels may not replace tubeless SDWs without extensive modifications to the hub. We therefore exclude these four types of wheels from the scope of the like product.

Accordingly, the like product consists of steel disc wheels for tubeless tires, designed to be mounted with pneumatic tires, in which the wheel has a rim diameter of 22.5 inches or greater, suitable for use on class 6, 7, and 8 trucks, including tractors, and on semi-trailers and buses. The domestic industry consists of petitioner (the Wheel and Brake Division of the Budd Co.), Accuride Corp., and Motor Wheel. [15/]

13/ Id. at A-7-A-9. See also Tubeless Steel Disc Wheels Preliminary at 5 and n.13 and A-2-A-4.

14/ Report at A-9.

15/ Accuride was formerly a subsidiary of Firestone and Motor Wheel was formerly a subsidiary of Goodyear. They have both been subject to leveraged buyouts.

Condition of the domestic industry [16/] [17/]

Apparent domestic consumption of tubeless SDWs fluctuated significantly during the 1983-86 period, jumping a sharp 66.4 percent from 1983 to 1984 and then declining in 1985 and 1986 (9.2 percent and 4.3 percent, respectively). [18/] As the Commission noted in its preliminary opinion, the surge in demand in 1984 was at least partially due to extraordinary circumstances.

> 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. [19/]

Domestic production and shipments also increased strongly during 1984 in response to the demand surge. [20/] Utilization of domestic productive capacity increased from 76.1 percent in 1983 to 106.1 percent in 1984. [21/] Nonetheless, the increase in apparent consumption was greater than the

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16/ In examining the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, sales, market penetration, employment, and profitability. 19 U.S.C. § 1677(7)(C)(iii).

17/ In this investigation, the data generally cover calendar years 1983-86. The Commission also has data regarding the Brazilian industry for the period Jan.-Feb. 1987 and estimates for calendar year 1987. Report at Table 19. With regard to the financial data, the Commission has data for fiscal years 1983-86 and for the interim fiscal years ending Dec. 31, 1985, and Dec. 31, 1986. Id. at Tables 13-16.

18/ Id. at Tables 6-7.

19/ Steel Disc Wheels Preliminary at 6.

20/ Report at Tables 6-7.

21/ Id. at Table 7.

capacity [22/] and production increases by the domestic industry. As we noted in the preliminary investigation, the domestic industry responded by delaying deliveries or placing customers on "allocation programs" in 1984 and early 1985. Allocation preferences were given to original equipment manufacturers (OEMs) over aftermarket distributors. [23/] In the final investigation, numerous purchasers attested to difficulties obtaining the tubeless SDWs they required from U.S. manufacturers during 1984 and 1985. [24/] We confirmed that several purchasers and distributors sought additional sources of tubeless SDWs, found them in Brazil, and began importing. The first imports reached the United States at the end of 1984. [25/]

Despite the strength of apparent consumption in 1984 and early 1985, profitability of the U.S. industry remained modest. Its operating margins were 5.3 percent in 1984 and 4.6 percent in 1985. [26/]

Consumption declined slightly from 1984 to 1985 and from 1985 to 1986 (9.2 percent and 4.3 percent, respectively). [27/] [28/] The performance of the domestic industry, however, declined more steeply. Domestic production fell from 1.5 million tubeless SDWs in 1984 to 1.2 million in 1985 (19.2

22/ Capacity, as that term is used by the Commission, refers to maximum production using a normal number of shifts and a normal product. Thus, production above the 100 percent level may be attained by additional shifts, by deferring routine maintenance, or by other devices.
23/ Steel Disc Wheels Preliminary at 10.
24/ Report at A-16-A-17.
25/ Id. at A-57.
26/ Id. at A-25.
27/ Id. at A-18. See also Id. at Table 6. These trends are similar to those for factory sales of trucks and buses. Id. at Table 5.
28/ Because of the imports of tubeless SDWs from Canada by two of the domestic producers during the course of the investigation, the specific figures regarding apparent domestic consumption are confidential.

percent) and fell further to 1.1 million in 1986 (an additional 9.4 percent). [29/] Shipments declined precipitously from 1.5 million tubeless SDWs in 1984 to 1.2 million in 1985 (23.6 percent) and declined further to 1.1 million in 1986 (an additional 7.9 percent). [30/]

Domestic producers' capacity, however, increased from 1.3 million in 1983 to 1.7 million in 1986, an increase of 28.5 percent. [31/] Thus, capacity utilization, which reached 106.1 percent in 1984, fell to 85.8 percent in 1985 and 66.1 percent in 1986. [32/]

The declining condition of the domestic industry since 1984 is reflected in other indicators as well. The number of production and related workers producing tubeless SDWs, their hours worked, and their total compensation declined from 1984 to 1986. [33/]

The financial data also mirror the declining trends. Gross profit and net operating income have declined since 1984. Net income before taxes declined and became a net loss in 1986. Operating income as a percent of net sales was 5.3 percent in 1984, decreased to 4.6 percent in 1985, and plunged to 0.5 percent in 1986. [34/]

Accordingly, we conclude that the domestic industry is clearly vulnerable to injury from LTFV imports from Brazil.

29/ Report at Table 7.
30/ Id. at Tables 6 and 8.
31/ Id. at Table 7.
32/ Id.
33/ Id. at Table 12.
34/ Id. at Tables 15-16.

Threat of material injury by reason of LTFV imports from Brazil [35/]

In assessing the threat of material injury in this investigation, we considered, among other factors, the volume and trend of imports from Brazil, increases in productive capacity and unused productive capacity in Brazil, Brazil's export and domestic markets, and the pricing of Brazil's exports. [36/]

Imports from Brazil first entered the U.S. market in 1984. Their share of apparent domestic consumption more than tripled before decreasing somewhat in 1986. [37/] Despite the dip in penetration in 1986, Brazil retained the market presence it established during the period of supply shortage in 1984 and early 1985. Further, although imports declined, actual shipments of the Brazilian product remained relatively constant. [38/]

Additionally, disaggregated data on market penetration by market type show that although Brazilian imports were a minor factor in the OEMs market, they accounted for a substantial share of aftermarket consumption. Furthermore, Brazil's penetration of the OEMs service dealer market increased in 1986. [39/]

35/ Many of the data regarding the Brazilian industry are confidential and, therefore, can be discussed only in general terms.

36/ 19 U.S.C. § 1677(7)(F)(i). See also, e.g., Certain Line Pipes and Tubes from Canada, Inv. No. 731-TA-375 (Preliminary), USITC Pub. 1965 at 23 (Mar. 1987).

37/ Report at Table 22. The exact import figures and, consequently, the percentage of apparent domestic consumption represented by imports from Brazil, on both a quantity and value basis, are confidential.

38/ In assessing threat from LTFV imports from Brazil, a number of factors lead us to put less emphasis on the fractional decline in Brazilian exports to the United States in 1986 than on the steady and significant increases in Brazilian capacity since 1984. Most fundamentally, as noted in the text, Brazil retained its market presence. In addition, some Brazilian suppliers were adjusting distributor relationships. In early 1986 Japanese suppliers were liquidating excess inventories into the aftermarket. Finally, Brazilian behavior may have been modified due to this investigation.

39/ Report at Table 23.

Brazil established capacity to produce tubeless SDWs in 1984 in order to supply the U.S. market, and Brazilian capacity has increased both steadily and substantially since. Brazil's capacity to produce tubeless SDWs more than tripled from 1984 through 1986. Capacity utilization increased substantially in 1985, but decreased sharply in 1986. 40/ Although home market sales, including the production of trucks for export, took a growing portion of total Brazilian production over the period of investigation, such sales remained small in 1986, a year of economic boom in Brazil. Brazil's third-country sales were at low levels throughout the period of investigation. 41/

Since the start of 1987, Brazilian capacity has again increased sharply and data provided by Brazilian producers show planned increases in production. 42/ The respondents maintain that most of the increase will be allocated to sales in the home market and third-country markets. We question these projections.

Other than providing a projection for increased truck production in 1987, 43/ respondents provided no information to substantiate their claims of increased home market sales in 1987. In fact, in discussing the condition of the Brazilian market at the hearing, they stated that any attempt to forecast events in the Brazilian market "is a matter of sheer speculation." 44/ Further, as press reports make clear, Brazil is currently

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40/ Id.
41/ Id.
42/ Id.
43/ Respondents' Prehearing Brief at 23.
44/ Tr. at 105.

embarked on austerity measures that will result in "cooling" the domestic economy, particularly the automotive segment. 45/

With regard to sales to third-country markets, the projected increases from 1986 to 1987 are again quite substantial, several times greater than Brazil's exports to those third-country markets in either 1985 or 1986. In the case of one such market, respondents project that where they had no sales prior to 1987, they will have amounts at least equivalent to sales in the United States. 46/ Moreover, that market has established producers for tubeless SDWs, 47/ so that Brazil will face the difficulties of a new entrant.

We conclude that there will be substantial excess productive capacity available in Brazil to generate exports to the United States. Because there is little likelihood of significant increases in exports to third countries and in sales to the home market, the United States remains the primary market for Brazilian production. We conclude that levels of exports to the United States will increase either in absolute terms or relative to apparent domestic consumption. 48/

We next considered the price effects of the LTFV imports from Brazil. In accordance with the statute, we examined the pricing history of the imports from Brazil and assessed the likelihood that in the foreseeable future the imports will be at price suppressing or price depressing levels.

45/ Petitioners' Posthearing Brief at Appendix 4.
46/ The assertion is made very doubtful by other statements of the respondents addressing such exports. Respondents' Posthearing Responses at 4.
47/ Report at A-35.
48/ Given the vulnerable condition of the U.S. industry, it is not necessary for there to be an increase in the absolute volume of imports for injury to occur.

The extensive price data gathered by the Commission show that the imports from Brazil consistently undersold [49/] domestic tubeless SDWs for predominant sizes of tubeless SDWs in both the OEMs market [50/] and the distributor market. [51/] In fact, in almost every instance in which a comparison is available, the Brazilian imports undersold the domestic product. The data of record is that price is one of the primary purchasing considerations [52/] and the margins of underselling were significant. Moreover, prices for both the domestic and the imported product from Brazil have tended to decrease since approximately the second quarter of 1985. [53/] There is no evidence of record to suggest that the pricing patterns of Brazilian imports will be any different in the foreseeable future. In fact, because they are now an accepted and integral part of the market, each dollar of underselling will be more significant in terms of price leadership, price suppression, and price depression.

49/ Vice Chairman Brunsdale believes that evidence of underselling is not ordinarily probative on the issue of whether imports are a cause of material injury or threat thereof to a domestic industry. See Top-of-the-Stove Stainless Steel Cooking Ware from the Republic of Korea and Taiwan, Invs. Nos. 701-TA-267-268 (Final) and 731-TA-304-305 (Final), USITC Pub. 1936 at 24, n.22 (1987) (Dissenting Views of Vice Chairman Anne E. Brunsdale and Commissioner Paula Stern). The Vice Chairman does not join her colleagues in the discussion in this paragraph.

50/ Report at Tables 24-25 and 28-29.

51/ Id. at Tables 26-27 and 30-33.

52/ Id. at A-57.

53/ We note that a number of factors influenced the decline in prices in the various U.S. market segments. First, part of the decline reflected the end of price premiums apparently paid by customers during the period of severest shortage. Second, imports from Japan were priced below imports from Brazil and may have led prices down. Report at Tables 32-33. However, their price role is significantly clouded because of structural defects in some of the Japanese wheels, leading to a partial recall of those wheels by the U.S. Department of Transportation and also apparently leading to "liquidation sale" prices of some Japanese wheels.

Accordingly, we conclude that the domestic industry is threatened with material injury by reason of LTFV imports from Brazil of tubeless steel disc wheels. 54/

Finally, there is no evidence of record that the Brazilian imports would have caused material injury but for the suspension of liquidation of entries of tubeless SDWs as a result of Commerce's preliminary affirmative determination. 55/ The statute requires that when the Commission makes a final affirmative determination on the basis of threat, it also make a finding on this issue. 56/ Accordingly, we conclude that there would not have been material injury to this industry but for the suspension of liquidation of entries.

54/ Vice Chairman Brunsdale believes that the magnitude of the dumping margin is one factor, among others, that may be considered in determining whether LTFV imports are a cause of material injury or threat thereof. The weighted-average dumping margin in this case is 17.99 percent. Report at A-2. This margin is sufficiently large to support an affirmative determination in this investigation. The recent opinion of the Court of International Trade in Hyundai Pipe Co., Ltd. v. U.S. International Trade Commission, Slip Op. 87-18 (Feb. 23, 1987), makes clear that it is appropriate for the Commission to consider the magnitude of the subsidy or dumping margin in assessing causation. Indeed, there is substantial support in the legislative history for the proposition that the Commission should consider the subsidy or dumping margin in every case. The House Report to the Trade Act of 1979 states: "for one type of product, price may be the key factor in determining the amount of sales elasticity, and a small price differential resulting from the amount of the subsidy or the margin of dumping can be decisive; in others the margin may be of lesser significance." H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979) (emphasis added). The Senate Report contains almost identical language. S. Rep. No. 249, 96th Cong., 1st Sess. 88 (1979). See also H.R. Rep. No. 317 at 55; S. Rep. No. 249 at 57-58.

55/ 51 Fed. Reg. 46904 (Dec. 29, 1986).

56/ 19 U.S.C. § 1673d(b)(4)(B).

VIEWS OF CHAIRMAN LIEBELER

Inv. No. 731-TA-335

Tubeless Steel Disc Wheels From Brazil (Final)

I determine that an industry in the United States is not materially injured, or threatened with material injury, by reason of imports of tubeless steel disc wheels (SDWs) from Brazil which the Department of Commerce has determined are being sold at less than fair value.[1] I concur with the majority in its discussion of like product, domestic industry, and condition of the industry.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a final investigation, the Commission must determine that the dumped or subsidized imports cause or threaten to

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[1] As the domestic industry producing steel disc wheels is well established, material retardation is not an issue in this investigation, and will not be discussed further.

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 answers both questions in the affirmative, 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. 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.[2]

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is

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[2] C. Sands, Sutherland Statutory Construction, § 45.02 (4th ed. 1985).

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 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.

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[3] 19 U.S.C. § 1977(7)(A)(1980).

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 other than the less-than-fair-value imports.[4]

The Finance Committee emphasized the need for an exhaustive 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 of the ITC with respect to causation, is under current law, and will be, under section 735, complex and

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

5 Id.

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:

> 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 United States industry.[7]

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

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported

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6 Id.

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

> product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price.[8]

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 conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to

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8 Id.

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

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

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]

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit

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

an affirmative finding under the law interpreted in light of the cited legislative history.[12]

> 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 (low elasticity of supply of other imports).[13]

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[14] 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.

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

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 SDWs from Brazil began in 1984. Brazilian imports of SDWs as a percentage of U.S. consumption increased from 1984 to 1985, but then declined in 1986. In 1986 although the Brazilian share of the U.S. SDW market was greater than 2.5 percent, it still remained very small, whether measured in value or quantity terms.[15] Thus, imports from Brazil account for a small and 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

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15 Report at Table 19.

competitive price[16] and the more likely it is that the domestic producers will be adversely affected. The Department of Commerce has calculated the percentage margin for manufacturer Borlem to be 15.25 percent, and for manufacturer FNV to be 19.93 percent. The overall weighted average is 17.99 percent. These margins are moderate and do not strongly 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 of the like product. Relatively minor differences exist between Brazilian and U.S. SDWs with respect to variety and weight.[17] There are, however, some significant non-price differences between U.S. and Brazilian SDWs. For example, U.S. SDWs are available on a much shorter lead time. In addition, there has been some reluctance by U.S. purchasers to purchase Brazilian SDWs because of concerns regarding the extent to which agents

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16 See text accompanying note 7, supra.

17 Report, at A-3 & 4.

representing Brazilian wheels carry insurance against liability suits. There has also been concern regarding the ability of purchasers to sue Brazilian producers for damages.[18] I thus find that the domestic and imported products are substitutes, though they are not perfect substitutes.

As to the fourth factor, evidence of declining domestic prices, ceteris paribus, might indicate that 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, and have fallen somewhat since then. The steepest decline in prices generally occurred in the first quarter of 1986. Since then, the rate of price decline has slowed considerably, with prices in the distributor market, in particular, being quite stable.[19] It is in the distributor market where Brazilian SDWs by far have their greatest market share.[20]

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[18] Report, at A-58.

[19] As the actual figures are confidential, I provide only the trends. Report, at A-50 and A-52.

[20] Report, at A-39.

Prices for SDWs over the past few years have been strongly impacted by factors affecting demand. In 1982, Congress enacted legislation which changed the maximum allowable dimensions of trailers from 8 ft. by 42 ft., to 8.5 ft. by 48 ft.. The resulting rush of trailer orders and wheel purchases helped to make 1984 a peak year for heavy truck wheel demand.[21] The rise in SDW prices in late 1984 and early 1985, and their subsequent decline in late 1985/early 1986 was thus at least partially impacted by this and other related factors affecting product demand.

In sum, the price of SDWs did decline fairly sharply at the end of 1985/beginning of 1986, but the price, particularly in the distributor market, has been fairly stable since then. These price data are, at best, inconclusive regarding evidence of unfair price discrimination. Hence, recent price declines are at least partially attributable to recent declines from earlier peak levels of demand.

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[21] Report, at A-15.

The fifth factor in the five factor test is barriers to entry (foreign supply elastictity). If there are barriers to entry (or low foreign elasticity of supply) it is more likely that a producer can gain market power. In 1986 the principal source of imported SDWs to the United States was Canada. Canada supplied over one-quarter of apparent U.S. consumption (and the majority of all imports). Japan was second in importance, although accounting for much less of apparent total U.S. consumption than imports from Canada, followed by Brazil and West Germany with even lower levels of import penetration.[22] The trends are similar if total value of imports numbers are examined.[23] This factor indicates that there are not likely barriers to entry to imports from countries not subject to investigation.

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 dsicrimination could be occurring. In this case, the

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22 Report, at Table 22.

23 Id.

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 SDWs and evidence indicating the existence of high elasticity of foreign supply, coupled with available price and dumping margin data provide no indication of material injury by reason of dumped imports of SDWs from Brazil.

Threat of material injury

Prior to 1984 Brazil did not produce SDWs. Productive capacity, however, more than tripled from 1984 to 1986. For 1987, Brazilian capacity is projected to be even higher.[24] Capacity utilization, though, has varied

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[24] Report, at A-34.

considerably in recent years.[25] In addition, home market sales have been consistently increasing. Indeed, home market sales of Brazilian SDWs are expected to approximately quadruple between 1985 and 1987.[26] At the same time, Brazilian SDW exports to countries other than the U.S. have been increasing significantly. While in 1984 Brazilian exports to the United States constituted a majority of total sales, by 1987 Brazilian SDW exports to the United States are projected to constitute a clear minority of total sales. Brazilian SDW exports to third countries, though, are, in 1987, expected to constitute a significant portion of total sales.[27]

Thus, while Brazilian SDW capacity has been increasing, it is being increasingly absorbed in the home market and in foreign nations other than the United States. Indeed, the percent of Brazilian SDW production being exported to the United States has been consistently decreasing. These factors, coupled with continued

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[25] Report, at Table 19.

[26] Id.

[27] Id.

instability in U.S./Brazil exchange rates[28] (and concomitant uncertainty on the part of Brazilian producers contemplating exports to the United States), lead me to conclude that there is no imminent threat of material injury to the domestic industry due to dumped imports of tubeless steel disc wheels from Brazil.

Conclusion

Therefore, I conclude that an industry in the United States is not materially injured or threatened with material injury by reason of dumped imports of tubeless steel disc wheel drives from Brazil.

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28 Report, A-63 to 65.

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. The petition alleged 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, 1/ 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).

Accordingly, on 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)) to determine whether there was 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 were allegedly sold at LTFV. On July 7, 1986, the Commission determined that there was a reasonable indication that an industry in the United States is materially injured by reason of such imports.

On December 29, 1986, Commerce published notice in the Federal Register (51 F.R. 46904) of its preliminary determination that tubeless steel disc wheels from Brazil are being, or are likely to be, sold in the United States at LTFV. Accordingly, effective December 29, 1986, the Commission instituted investigation No. 731-TA-335 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of such merchandise. Notice of the institution of the Commission's final investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of January 22, 1987 (52 F.R. 2461). 2/

On March 20, 1987, Commerce published in the Federal Register (52 F.R. 8947) a notice of its final determination that imports of tubeless steel disc wheels from Brazil are being, or are likely to be, sold in the United States at LTFV. 3/ The Commission's public hearing held in connection with this investigation took place in Washington, DC, on March 24, 1987. 4/ The briefing and vote was held on April 21, 1987. The deadline for notifying Commerce of the Commission's determination is April 27, 1987.

Tubeless steel disc wheels have not been the subject of any previous statutory investigation by the Commission.

1/ Such wheels are designed to be mounted with pneumatic tires, have a rim diameter of 22.5 inches or greater, and are suitable for use on class 6, 7, and 8 trucks, including tractors, and for use on semi-trailers and buses.
2/ A copy of the Commission's Federal Register notice is presented in app. A.
3/ A copy of Commerce's Federal Register notice is presented in app. A.
4/ A list of witnesses appearing at the hearing are presented in app. B.

Nature and Extent of Sales at LTFV

On March 20, 1987, the Department of Commerce published notice of its final determination that tubeless steel disc wheels from Brazil are being, or are likely to be, sold in the United States at LTFV. Commerce made fair value comparisons on sales of the class or kind of merchandise to the United States during the period December 1, 1985, through May 31, 1986. In making its affirmative final decision of sales at LTFV, Commerce compared the U.S. purchase price and foreign market value, which was based on home market prices or constructed value of the merchandise.

The weighted-average margins (in percent ad valorem) and the quantity and value of sales at LTFV (in percent) 1/ calculated by Commerce are as follows:

Manufacturer	Margin	Sales at LTFV	
		Quantity	Value
Borlem.....	15.25	***	***
FNV.....	19.93	***	***
All others 1/.....	17.99	***	***

1/ Weighted-averages based on sales by Borlem and FNV.

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), including tractors, and on semi-trailers and buses. 2/ Tubeless steel disc wheels 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 widely used on highway vehicles that run for long mileage with tubeless radial tires that, because of their lower rolling resistance, contribute to greater fuel economy and longer tread life. 3/ The subject wheels account for a growing share of consumption of wheels for medium- and heavy-duty trucks--presently about 46 percent, and are expected to grow to 60 percent of total truck and trailer wheel and rim demand by 1990. 4/ The cost of the

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1/ The range of LTFV margins on the individual sales examined by Commerce is not available.

2/ The Motor Vehicle Manufacturers Association of the United States, Inc., classifies trucks by gross vehicle weight as follows:

Class 6.....	19,501 to 26,000 pounds
Class 7.....	26,001 to 33,000 pounds
Class 8.....	exceed 33,000 pounds.

3/ Transcript of the staff conference, p. 45.

4/ Transcript of the hearing (TR), p. 30.

subject wheels accounts for approximately 1 percent or less of the total cost of medium- or heavy-duty trucks and about 5 percent of the cost of trailers. 1/

Types of mounting.--Testimony of purchasers of tubeless steel disc wheels noted that certain new technologies have gained ground in the marketplace and are not comparable with current imports of the subject wheels from Brazil, i.e., the hub-piloted wheels of Budd and Motor Wheel. 2/ Petitioners reported that the hub-piloted wheel is not a "new" technology, but is a European wheel configuration that is currently manufactured by Brazilian producers and exported to the United States, 3/ and has recently been designed and manufactured by U.S. producers for the U.S. market. 4/

A tubeless steel disc wheel may be either stud-piloted or hub-piloted in its mounting configuration. There are certain physical differences between the hub-piloted wheel and the stud-piloted wheel: the hub-piloted wheel has a smaller center hole diameter and lacks ball seated stud holes. In addition, after a vehicle has been manufactured, a hub-piloted wheel cannot be used interchangeably with a stud-piloted wheel in replacement without conversion of the hub and stud mount assembly. 5/

Data on U.S. producers' (Budd and Motor Wheel) production and shipments of hub-piloted tubeless steel disc wheels are presented in table 1. U.S. producers' domestic shipments of tubeless steel disc wheels with the hub-pilot mount accounted for *** percent of their total domestic shipments of the subject product in 1983, rose to *** percent in 1984, continued to rise to *** percent in 1985, and to *** percent in 1986. ***. 6/

Differences in nominal dimensions.--Certain differences between the U.S. product and the Brazilian product with respect to variety and weight have been noted during this investigation. Testimony from a U.S. purchaser asserts that until September 1985 buyers of Brazilian wheels had to purchase truckload lots by choosing 432 pieces from only two part numbers (the 22.5-inch or the 24.5-inch wheel). 7/ In September 1985, Borlem went to four part numbers:

1/ Estimated figures provided by the petitioner include: (TR, p. 54)

	Vehicle cost	# Wheels	Wheel cost	Wheel cost/ vehicle cost
Class 6-7 truck..	$36,000	6 @ $60=	$360	1.0%
Class 8 truck....	100,000	10 @ 60=	600	0.6%
Trailer.....	10,000	8 @ 60=	480	4.8%

2/ TR, p. 120; Accuride does not manufacture a hub-piloted wheel.
3/ ***.
4/ Petitioner's posthearing brief, p. 6.
5/ It is estimated that conversion of existing equipment from stud- to hub-pilot mounting would cost approximately $1,500 to $2,000, or from a low of 2 percent of the cost of a class 8 truck to a high of 20 percent of the cost of a trailer (Apr. 10, 1987, telephone conversation with ***); however, there would be a 40 percent parts savings using a hub-piloted system with 160 attaching parts for an 18-wheel rig, compared with 280 attaching parts for a stud-piloted system (Motorwheel pamphlet, "The Motor Wheel Mount WHD-8 System: An Evolution in Wheel Mount Technology").
6/ ***.
7/ TR, pp. 117-118.

Table 1.--Tubeless steel disc wheels: U.S. producers' domestic shipments of U.S.-produced product, by types of mounting, 1983-86

* * * * * * *

two sizes of tubeless steel disc wheels and two sizes of demountable rims for tubeless steel disc wheels. Purchasers contend that a U.S. producer of a diverse line of wheels can supply a truckload with a greater variety of more needed parts in more usable quantities than can a Brazilian producer. 1/

In addition, Brazilian tubeless steel disc wheels tend to be heavier than U.S. produced wheels. Petitioners argue that a 6-pound weight differential is inconsequential when the weight of a wheel, regardless of manufacturer, generally ranges between 95 and 100 pounds. Variances in engineering tolerances result in fluctuations in the gauge or thickness of coiled rim steel used to produce wheels. 2/

Wheel sizes.--Data on shipments of tubeless steel disc wheels by size have been reported by producers and importers, and are presented in table 2. From 1983 to 1984, both U.S. producers and importers were responding to the increase in demand for heavy-duty (class 8) trucks that require 24.5-inch wheels, 3/ with this size wheel accounting for approximately *** percent of U.S. producers' shipments and *** percent of U.S. importers' shipments. From 1984 to 1986, as demand for medium-duty (class 6 and 7) trucks increased and that for heavy trucks decreased, producers and importers shipped greater proportions of the appropriate 22.5-inch wheel--from *** percent to *** percent for U.S. producers, and from *** percent to *** percent for U.S. importers.

Table 2.--Tubeless steel disc wheels: U.S. producers' domestic shipments and shipments of imports from Brazil, by wheel sizes, 1983-86

* * * * * * *

Manufacturing considerations

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, restruck, and chamfered, and then the holes are reamed. Finally, the finished discs are inspected and stored.

1/ TR, p. 118.
2/ Petitioner's posthearing brief, app. 3, p. 3.
3/ See table 5.

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 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.

Machinery and equipment.--

U.S. equipment and interchangeability.--A listing of the various pieces of equipment used in U.S. production of tubeless steel disc wheels, and the function of each, is presented below:

Disc production--hydro-spin (forms blank disc)
--presses (flattens and punches holes)
--drills (finishes holes and ball seats)

Rim production--decoiler (flattens and cuts)
--coiler (coils hoops)
--welder (connects hoop seams)
--presses (flares edges and punches valve holes)
--rim rollers (contours rim)
--expander (edges)

Wheel assembly--washer (sprays)
--stamp (stamps Department of Transportation information)
--presses (pushes rim over disc)
--welder (connects rim with disc)
--defluxer (cleans excess material)
--paint system (washes, dips, and/or sprays)

Petitioner has stated that its rim line can only produce tubeless type rims, and that no U.S. producer of tubeless-type rims can produce tube-type rims on the same production line. 1/ Converting from tube-type to tubeless or back again would require considerable capital investment and would take about a year to facilitate; moreover, the petitioner indicated that thereafter it would take about a week to convert between the two types of rims. 2/

Brazilian equipment and interchangeability.--Brazilian manufacturers use equipment that permits interchangeability from one line to another with reconfiguration that can take from *** (Borlem) to *** (FNV). 3/ The Brazilian producers have reported that increases in manufacturing capacity did not require large fixed-cost investments, but rather were accomplished by

1/ TR, pp. 47-48.
2/ TR, p. 48.
3/ Respondents' responses to requests for additional information, pp. 1 and 3.

reorganizing production lines to eliminate production bottlenecks. 1/ Respondents claim that the conversion requires different tooling; i.e., an extra spinning stage for the disc and an extra rolling stage for the rim. 2/

Petitioners contend that the Brazilian process is not economically feasible from a U.S. producer's perspective because of the requirements for equipment and tooling changes, but it was to the Brazilians' advantage to make it work as the market for tubeless steel disc wheels expanded. 3/

Regulatory and advisory environment.--U.S. manufacturers of tubeless steel disc wheels are essentially a "self-policed" industry, with basic safety requirements dictated by the Department of Transportation (DOT). The DOT, through the National Highway Transportation Safety Administration (NHTSA), issues regulatory requirements applicable to tubeless steel disc wheels. The NHTSA issues federal motor vehicle safety standards that a) specify tire and rim selection requirements for trucks, buses, and trailers, 4/ and b) specify marking requirements for rims for use on these vehicles; according to DOT requirements, manufacturers mark each rim with the following information:

1) Letter code indicating the source of rim's published nominal dimensions, e.g., "T" indicates the Tire and Rim Association;

2) rim size designation; e.g., 22.5 by 8.25 inches;

3) DOT symbol, constituting a certification by the manufacturer of the rim that the rim complies with all applicable motor-vehicle safety standards;

4) identification of the rim manufacturer, with additional letter code for plant of manufacture; e.g., Accuride rims manufactured in London, Ontario, Canada, are identified with the letter "L"; and

5) date of manufacture.

The following trade organizations issue guidelines and information relevant to wheels for use on commercial vehicles--none of the guidelines has the force of regulation, and compliance with them is voluntary:

1/ Respondents' posthearing brief, p. 8.
2/ Transcript of the staff conference, p. 76.
3/ TR, p. 60, and Apr. 10, 1987, telephone conversation with ***.
4/ Tire and rim matchings are designated by the tire manufacturer and listed in one of seven industry-maintained publications.

1) Society of Automotive Engineers (Warrendale, PA)--issues "recommended practices"; 1/ e.g., (a) establishes uniform engineering nomenclature for wheels, rims, and their components used in truck, bus, and trailer applications, and (b) provides uniform laboratory standards for fatigue testing wheels and rims.

2) Tire and Rim Association (Akron, OH) 2/--issues guidelines that (a) correlate tire size to rim size to ensure that tires are mounted on compatible rims, and (b) define rim contours to ensure that tires can be physically mounted on rims, and when mounted, are properly supported by the rim when the tire is inflated.

3) National Wheel and Rim Association (Jacksonville, FL)--an organization of independent aftermarket wheel and rim distributors that, among other functions, compiles a manual of maintenance information and a cross reference of part numbers from publications of individual manufacturers.

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 demountable rims for cast-spoke wheels, and aluminum disc wheels. 3/ The following tabulation presents questionnaire and telephone survey data for 1986 on domestic shipments of wheel types for the three U.S. producers that manufacture tubeless steel disc wheels: 4/

1/ The International Standards Organization (ISO) provides similar recommended practices for European wheel makers, and Brazilian manufacturers are believed to adhere to these standards.
2/ Borlem, FNV, and Fumagalli are Brazilian producers currently listed as foreign corresponding members of the Tire and Rim Association.
3/ Pictures of the different wheel types are presented in app. C.
4/ These producers do not manufacture aluminum disc wheels.

Item	Tubeless	Tube-type	Total
	Quantity (units)		
Disc wheels:			
Steel	***	***	***
Aluminum 1/	***	***	***
Total disc wheels	***	***	***
Cast spoke wheels with demountable rims 2/	***	***	***
Total heavy truck wheels	***	***	***
	Share (in percent)		
Disc wheels:			
Steel	***	***	***
Aluminum	***	***	***
Total disc wheels	***	***	***
Cast spoke wheels with demountable rims	***	***	***
Total heavy truck wheels	***	***	***

1/ ***.
2/ Includes data for Redco, ***.

In addition, the following tabulation presents questionnaire data for 1986 on the unit values of domestic shipments of various wheel types for Accuride, Budd, and Motor Wheel:

Item	Disc wheels		Rims
	Tubeless	Tube-type	
Unit value of domestic shipments:			
Accuride	***	***	***
Budd	***	***	***
Motor Wheel	***	***	***
Average	***	***	***

Tube-type steel disc wheels, like the tubeless-type wheels, are manufactured by ***, for the most part in the same establishments. However, the two types of wheels are manufactured on equipment that 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. 1/ In 1986, tube-type steel disc wheels accounted for *** percent of U.S. producers' domestic shipments of all wheels for class 6, 7, and 8 trucks. The unit value of domestic shipments of tube-type steel disc wheels was *** percent higher than the unit value of tubeless steel disc wheels in 1986.

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 Accuride, Budd, Motor Wheel, and Redco. The two components are assembled into a single unit by a truck manufacturer. Demountable rims for cast spoke wheels accounted for approximately *** percent of U.S. producers' 1986 domestic shipments of steel wheels for class 6, 7, and 8 trucks. The unit value for domestic shipments of demountable steel rims was approximately *** percent below that for tubeless steel disc wheels; however, when comparing total wheel systems to include the hub/spoke and drum, the cast spoke system is priced approximately 5 percent less than the steel disc system. 2/

Aluminum disc wheels are machined from a single aluminum forging commonly known as a slug. These wheels are manufactured by Alcoa and Kaiser Aluminum. Light weight aluminum wheels allow for greater vehicle payload and tend to be used by bulk haulers, such as tank truck fleets in the petroleum and dairy industries. 3/ Aluminum disc wheels are estimated to account for approximately *** percent of consumption of all wheels for class 6, 7, and 8 trucks. The unit value of domestic shipments of aluminum disc wheels is approximately 3-1/2 times greater than that of tubeless steel disc wheels, 4/ which is attributable to the higher cost of aluminum and the intricacy of the machining process. 5/

The above types of wheels are not used interchangeably with each other at two levels of consideration: a) tube and tubeless disc wheels cannot be practically used on the same vehicle, as the performance characteristics of tubeless and tube-type tires are substantially different and would affect vehicle handling and tire life; and b) once a vehicle has been manufactured, disc wheels cannot be used with cast spoke wheels, as the axle end assembly required for a disc wheel will not accept a cast spoke wheel. 6/ In order to change from cast spoke wheels to steel disc wheels, the cast spoke spider must be removed and replaced with a hub for steel disc wheels. To change from steel disc wheels to aluminum disc wheels, the hub (axle end) must be reworked by adding new studs. 7/

U.S. tariff treatment

Imports of the tubeless steel disc wheels covered by this investigation are classified in item 692.32 and statistically reported under item 692.3230 of the Tariff Schedules of the United States Annotated (TSUSA), which includes

1/ Transcript of the staff conference, pp. 44-45.
2/ Ibid., p. 47.
3/ Ibid., p. 33.
4/ Calculated from the questionnaire response of the Accuride Corp.
5/ Petitioner's prehearing brief, p. 5.
6/ Transcript of the staff conference, p. 17.
7/ TR, p. 87.

all wheels designed to be mounted with pneumatic tires. The column 1 or most-favored-nation duty rate is 3.1 percent ad valorem. 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.

Imports under TSUS 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 are not eligible for such preferential treatment. Imports under this tariff item are eligible for duty-free entry if deemed to be the product of Israel, or of designated beneficiary countries under the Caribbean Basin Economic Recovery Act.

Imports of tubeless steel disc wheels from Canada are classified in TSUS item 692.33 and reported under TSUSA item 692.3330, and are eligible for duty-free entry, if original motor-vehicle equipment, under the U.S.-Canada Automotive Products Trade Agreement.

The U.S. Market

U.S. producers

Three firms manufacture tubeless steel disc wheels in the United States. All three firms have provided data in response to the Commission's questionnaire, and all three have indicated that they are in support of the petition. The firms, plant locations, and production (in thousands of units) and share of total production (in percent) in 1986 are shown in the following tabulation:

Firm	Plant location	Production	Share
Accuride Corp. 1/.....	Henderson, KY	***	***
The Budd Co.....	Frankfort, OH	***	***
Motor Wheel Corp. 2/.....	Akron, OH	***	***
Total.....		1,103	100.0

1/ Prior to December 1986, Accuride was known as Firestone Steel Products Division, a wholly owned subsidiary of Firestone Tire and Rubber Co., Akron, OH. Accuride is now independently owned.
2/ Motor Wheel Corp., now independently owned, was a wholly owned subsidiary of Goodyear Tire and Rubber Co., Akron, OH, prior to February 1987.

A discussion of individual U.S. producers follows:

Accuride Corp., Henderson, KY--Accuride produces tubeless steel disc wheels at its plants in Henderson, KY, and London, Ontario, Canada (in 1986, *** percent of Accuride's total North American shipments of tubeless steel disc wheels to the U.S. market were manufactured in Canada 1/). On December 1, 1986, Firestone Steel Products Co., a wholly owned subsidiary of Firestone Tire and Rubber Co., was acquired by a group of private investors and renamed Accuride Corp. In 1986, Accuride was *** domestic producer of

1/ See table 9.

tubeless steel disc wheels, accounting for approximately *** percent of domestic shipments of U.S.-produced product (see table 3). However, during 1983-86, Accuride's domestic shipments of tubeless steel disc wheels *** from *** percent of its total heavy-wheel shipments (for class 6, 7, and 8 trucks, semi-trailers, and buses), whereas its shipments of demountable rims for cast spoke wheels *** from *** percent.

Table 3.--U.S. producers' domestic shipments of heavy-truck wheels, by types, 1983-86

* * * * * * *

The Budd Co., Wheel and Brake Division, Farmington Hills, MI--Budd produces heavy truck wheels at its plant in Frankfort, OH. In 1983, Budd closed its Detroit, MI, facility that manufactured tube-type disc wheels and relocated that production equipment to Frankfort. In 1986, Budd was *** domestic producer of tubeless steel disc wheels with *** percent of total production. During 1983-86, Budd's domestic shipments of tubeless steel disc wheels *** from *** percent of its heavy truck wheel shipments. 1/ Domestic shipments of tube-type steel disc wheels *** from *** percent of shipments, and domestic shipments of demountable rims for cast spoke wheels *** from *** percent of heavy wheel shipments. In 1986, ***.

Motor Wheel Corp., Lansing, MI--Motor Wheel produced tubeless steel disc wheels at its plants in Akron, OH, and Chatham, Ontario, Canada 2/ (in 1986, *** percent of Motor Wheel's total North American shipments of tubeless steel disc wheels were manufactured in Canada). In February 1987, after a management "buy out," Motor Wheel became independent of the Goodyear Tire and Rubber Co., its former parent. In 1986, Motor Wheel was *** in U.S. production of tubeless steel disc wheels with *** percent of total production. During 1983-86, Motor Wheel's domestic shipments of tubeless steel disc wheels *** from *** percent of its total heavy wheel shipments, and its domestic shipments of demountable rims *** from *** percent of total shipments. ***.

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. Nine firms reported that they did not import the type of wheels subject to this investigation. The Commission received timely questionnaire responses from *** firms that imported the subject wheels from Brazil. The *** firms accounted for approximately 95 percent of the imports of tubeless steel disc wheels from

1/ In the 1920's the founder of the Budd Co. introduced the French-designed, Michelin disc wheel to the U.S. market as an alternative to spoke wheels.
2/ In 1986, Motor Wheel ceased producing tubeless steel disc wheels subject to this investigation at its Canadian plant in Chatham; ***.

Brazil in 1985 and 99 percent in 1986. 1/ The following tabulation provides information on Brazilian suppliers, imports (in units), and shares of reported imports (in percent) for four firms in 1986:

* * * * * * *

During the period of investigation, Accuride and Motor Wheel imported tubeless steel disc wheels from countries other than Brazil. The following tabulation presents information on domestic shipments of the U.S.-produced product, shipments of imports and/or direct shipments of imports from Canada and West Germany, and the share of shipments for the two firms in 1986:

* * * * * * *

* * * * * * *

In 1986, shipments of imports of tubeless steel disc wheels by the two U.S. producers with Canadian subsidiaries accounted for ***.

Channels of distribution

Tubeless steel disc wheels are sold to the larger original-equipment manufacturers (OEMs) that produce trucks and semi-trailers, to manufacturers' service dealers (the OEMs' service and parts operations), and to distributors that sell to small OEMs and to the aftermarket. U.S. producers sell tubeless steel disc wheels at all of these levels, whereas, the imports from Brazil were initially concentrated largely in the manufacturers' service dealer and distributor markets, but have been sold to smaller OEMs and more recently begun to be sold to larger OEMs (table 4).

Market factors

Trends in demand.--The demand for tubeless steel disc wheels is derived from the requirements of the trucking industry. The cyclical nature of the market for heavy truck wheels can be seen from the data on truck and trailer sales presented in table 5, and is graphically depicted in figure 1. From 1979 to 1981, U.S. sales and shipments of trucks and trailers to the North American market decreased by approximately 39.2 percent, and fell an additional 23.6 percent during 1982. Truck and trailer sales increased by 11.2 percent during 1982-83, rose dramatically by 65.9 percent from 1983 to 1984, and began a downward cycle, declining by 12.1 percent during 1984-85 and by 7.7 percent from 1985 to 1986.

1/ Calculated on the basis of exports reported by counsels for the three known Brazilian producers that exported tubeless steel disc wheels to the United States during 1984-86 (see table 19).

Table 4.--Tubeless steel disc wheels: U.S. producers' shipments and imports from Brazil, by types of customers, 1983-86

(In percent)

Item	1983	1984	1985	1986
U.S. producers' shipments to--				
OEMs	***	***	***	***
Manufacturers' service dealers	***	***	***	***
Distributors	***	***	***	***
Total	***	***	***	***
Shipments of imports from Brazil to--				
OEMs	***	***	***	***
Manufacturers' service dealers	***	***	***	***
Distributors	***	***	***	***
Total	***	***	***	***

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

Table 5.--Factory sales of trucks and buses, and factory shipments of truck trailers, 1979-86 1/

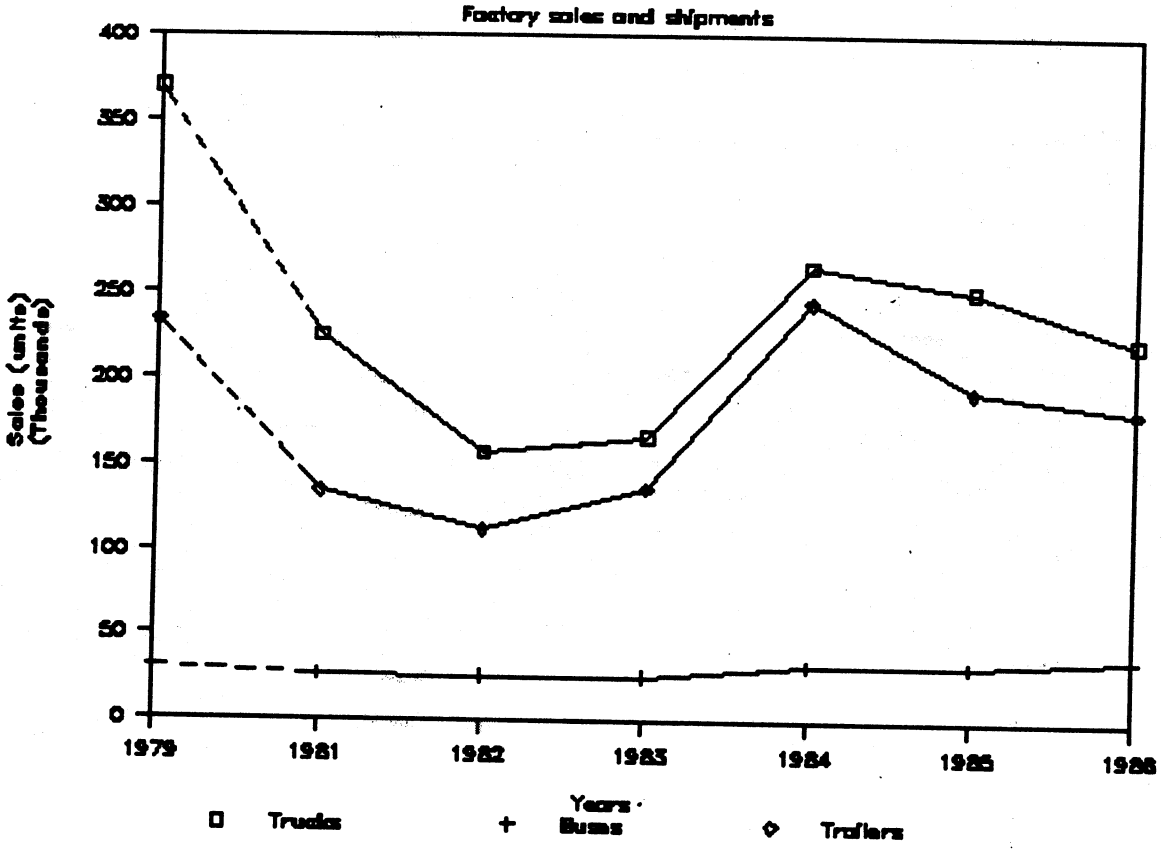
(In thousands of units)

Item	1979	1981	1982	1983	1984	1985	1986
Trucks:							
Class 6 and 7	179	112	81	82	116	119	106
Class 8	191	113	76	84	150	133	116
Total trucks	370	225	157	166	266	252	222
Buses:							
Class 6 and 7	30	25	25	25	32	32	36
Class 8	2	2	1	1	1	1	1
Total buses	32	27	26	26	33	33	37
Complete trailers	210	122	104	118	214	175	172
Trailer chassis	15	9	5	15	24	14	6
Trailer dollies	8	3	3	3	7	4	4
Total trailers	233	134	112	136	245	193	182
Grand total	635	386	295	328	544	478	441

1/ Data for 1980 are not available.

Source: "Factory sales - trucks and buses by make and G.V.W." (U.S. Total), Policy Analysis Department, Motor Vehicle Manufacturers Association, various years; and "Truck Trailers", Current Industrial Reports, Commerce, Bureau of Census, various years.

Figure 1.-- **TRUCKS, TRAILERS AND BUSES**



Source: Table 5.

Factors affecting demand.--The demand for new medium- and heavy-duty trucks and trailers depends largely on the level of overall economic activity, and on changes in Government regulations that have often caused or exacerbated fluctuations in the market for truck and trailer wheels. For instance, in 1977, demand for tubeless wheels was high following the Occupation Safety and Health Administration's (OSHA) finding that tubeless tires are safer than tube-type tires. Deregulation of the trucking industry in 1980 led initially to a rush of new entrants into the market, and increased competition placed downward pressures on freight rates that resulted in an industry "shake out", creating a surplus of used equipment at falling prices, thus decreasing demand. The contraction of commerce during the recession of 1981-82 led to a decline in the demand for freight services, further reducing the demand for new truck and trailer equipment. Demand for heavy truck wheels during the period of this investigation was significantly affected when in 1982, Congress passed legislation that changed the maximum allowable dimensions of trailers from 8 feet by 42 feet, to 8.5 feet by 48 feet. The resulting rush of trailer orders and wheel purchases, combined with the resumption of wheel purchases due to the economic recovery, all helped to make 1984 a peak year for heavy truck wheel demand. 1/

Other factors noted by industry officials as significant in determining the volume of new heavy truck and trailer sales include the following: 2/

1) The structure of the economy--as the U.S. shifts to a service-based economy, the gross national product (GNP) must increase by 2.6 percent annually to hold demand for heavy trucks constant.

2) Competition from alternate modes of transport--recent efforts by ocean freight operators to develop intermodal services using railroad links reduces the demand for trucking services.

3) Interest rates--the cost of financing investment in new truck and trailer equipment depends on credit terms.

4) General rise in imports--the increasing proportion of imports among finished goods in the economy reduces the demand for freight services. The shift of upstream stages of production to offshore locations reduces domestic shipments among plants.

Factors affecting supply.--In 1983, two of five U.S. plants manufacturing truck wheels were closed, with capacity being sold or relocated, resulting in diversion of capacity and product shifting. Production of approximately ***. 3/

Allocation programs.--Because of the simultaneous increase in demand for heavy tubeless steel disc wheels and for light truck wheels, beginning in late 1983, U.S. producers began to allocate shipments of tubeless steel disc wheels

1/ June 9, 1986, interview with ***.
2/ Feb. 18, 1987, interview with ***.
3/ Feb. 4, 1987, interview with ***.

subject to this investigation. Respondents claim that this supply shortage created the need to import Brazilian tubeless steel disc wheels. 1/

Through questionnaires, Commission staff attempted to assess the impact of allocation programs, seeking information as to the number of tubeless steel disc wheels requested, renegotiated, delayed, or denied. Questionnaire responses have been limited as allocation programs were not formally documented. However, questionnaire comments from producers and purchasers regarding the allocation programs are presented on the following pages.

Firm	Allocation Period	Comments
PRODUCERS:		
Accuride	***	***
Budd	***	***
Motor Wheel	***	***
PURCHASERS--OEMs:		
***	Jan. 1984-Dec. 1984	Bought wheels anywhere they could get them because allocation would not meet production line needs.
***	1984-85	Availability of wheels from United States/Canada was nonexistent for aftermarket and dealers.
***	Jan. 1984-Apr. 1985	Vendors allocated designated quantities; short supply for replacement market; OEM requirements satisfied.
***	Feb. 1984-Dec. 1984	In February 1984, *** got behind on shipments, and in April 1984 could not supply ***; *** supplied ***, but not the aftermarket; *** refused to supply at all; had to go to Brazil to supply aftermarket, and price had nothing to do with the decision.
***	June 1984-Aug. 1985	On allocation from Budd and Firestone (Accuride); forced to buy from other trailer manufacturers, distributors, and importers.
***	Mar. 1985-Apr. 1985	Brazilian wheels procured as supply protection during work stoppage of January 1985, at Firestone (Accuride).

1/ Petitioner contends that Brazilian producers targeted the U.S. market prior to the 1984 surge in demand, and submitted a copy of an English language Borlem catalogue (published Oct. 1983), which was allegedly sent all over the United States (TR, pp. 31 and 161, and Exhibit 1).

PURCHASERS--DISTRIBUTORS:

***	Jan. 1985-Dec. 1985	Allocations in effect but not met.
***	1985	Backorders not honored; distributors cut off.
***	1984-1985	No problems (***).
***	Sept. 1983-Mar. 1985	Producers going to keep OEM going first; OEMs took additional wheels to feed dependent and independent replacement outlets to aftermarket; policy killed business during the shortage.
***	Jan. 1984-June 1985	Except for *** shipments, *** refused all purchase orders; "...when *** refused our orders we gave them to Borlem." 1/
***	Nov. 1983-Dec. 1984	Producers diverted all popular wheels to OEMs, many of which *** had previously supplied.
***	1983-85	Extreme delays in 1985; 50 percent of allocation received.

The petitioner has testified that during late 1984 and early 1985, it put into effect a policy of delivering wheels in response to forecasted need, rather than in response to orders; delivery schedules would stretch out delivery in order to contain demand. The result of this practice was the development of a mentality that led certain distributors to believe that the domestic industry was incapable of meeting their needs. 2/

Respondents, however, point out that the petitioner's own data indicate a supply shortfall of almost 800,000 units in 1984: petitioner estimated demand in 1984 to be 2.2 million units, whereas, U.S. capacity to produce tubeless steel disc wheels was reported in the prehearing staff report to be 1.4 million units (see table 7). 3/

Apparent U.S. consumption

The data on apparent U.S. consumption of tubeless steel disc wheels presented in table 6 are composed of the sum of U.S. producers' reported domestic shipments of U.S.-produced tubeless steel disc wheels, and shipments of imports of tubeless steel disc wheels, as reported in response to the Commission's questionnaires.

1/ In early 1984, ***.
2/ TR, pp. 33-34.
3/ Respondents' posthearing brief, p. 3.

Trends in apparent consumption.--Apparent consumption of tubeless steel disc wheels increased from *** in 1983 to *** in 1984, or by 66.4 percent. Since 1984, total consumption of tubeless steel disc wheels has declined, by 9.2 percent in 1985, and by 4.3 percent in 1986; however, the 1986 level of consumption of *** wheels was 44.5 percent greater than consumption in 1983. Trends in apparent consumption for tubeless steel disc wheels indicate the greater strength in the market for such wheels, when compared to overall demand for heavy truck wheels (see table 5).

Table 6.--Tubeless steel disc wheels: U.S. producers' domestic shipments, imports for consumption, and apparent consumption, 1983-86

Item and year	Producers' shipments	Shipments of imports	Consumption	Ratio to consumption: Domestic	Ratio to consumption: Imports
	1,000 units			Percent	
Based on producers' shipments of U.S.-produced wheels--					
1983	974	***	***	***	***
1984	1,529	***	***	***	***
1985	1,168	***	***	***	***
1986	1,076	***	***	***	***
Based on producers' shipments including captive imports--					
1983	***	***	***	***	***
1984	***	***	***	***	***
1985	***	***	***	***	***
1986	***	***	***	***	***

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

U.S. producers' share of apparent consumption.--During the period of investigation, U.S. producers' share of apparent consumption declined steadily, but most noticeably between 1984 and 1985, losing *** percentage points of market share. From 1983 to 1984, U.S. producers' share of total apparent consumption of the subject tubeless steel disc wheels decreased from *** percent to *** percent. In 1985, U.S. producers' share of consumption continued to decrease to *** percent and in 1986, fell to *** percent of total apparent consumption.

If apparent consumption were based on shipments which included U.S. producers' captive imports, U.S. producers' share of apparent consumption again showed steady decline during the period of investigation, but at lower levels, losing only *** percentage points of market share from 1984 to 1985. U.S. producers' share of apparent consumption decreased from *** percent in 1983 to *** percent in 1984, *** percent in 1985, and to *** percent in 1986.

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

Two of the five manufacturing facilities operated by U.S. producers of tubeless steel disc wheels are located in Canada. To the extent that information was available, this section of the report will present U.S. and Canadian data separately.

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

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 by 19.1 percent to 1.2 million in 1985. In 1986, production continued to decline to 1.1 million units, or by 9.4 percent from 1985, but represented an 11.6-percent increase from production in 1983 (table 7).

Table 7.--Tubeless steel disc wheels: U.S. production, capacity, and capacity utilization, by firm, 1983-86

Firm	1983	1984	1985	1986
	Production (1,000 units)			
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	988	1,505	1,217	1,103
	Capacity (1,000 units)			
Accuride 1/	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	1,299	1,419	1,419	1,669
	Capacity utilization (percent)			
Accuride 1/	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Average	76.1	106.1	85.8	66.1

1/ ***.

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

1/ Production and capacity information was not available for U.S. producers' Canadian subsidiaries.

In the aggregate, practical annual capacity of U.S. manufacturers to produce tubeless steel disc wheels increased from 1.3 million units in 1983 to 1.4 million units in 1984 and 1985, or by 9.3 percent, and increased an additional 17.6 percent to 1.7 million units in 1986. ***.

Capacity utilization by U.S. producers increased from 76.1 percent in 1983 to 106.1 percent in 1984, when U.S. producers had customers on allocation, then dropped to 85.8 percent in 1985, and declined further to 66.1 percent in 1986, as demand for heavy truck wheels declined and U.S. capacity increased.

U.S. producers' domestic shipments

Domestic shipments of U.S.-produced product.--Domestic shipments of U.S.-produced tubeless steel disc wheels by U.S. manufacturers increased from 974,000 units in 1983 to 1.5 million units in 1984, or by 57.0 percent, then dropped 23.6 percent to 1.2 million units in 1985, and continued to decrease by an additional 7.9 percent to 1.1 million units in 1986. The 1986 level represented an increase of 10.5 percent from shipments in 1983 (table 8).

The unit value of domestic shipments of tubeless steel disc wheels decreased irregularly from 1983 through 1986. In 1983, the unit value of U.S. producers' shipments was $57.73; the unit value decreased to $57.01 in 1984, increased to $59.24 in 1985, and fell to $57.01 in 1986.

Domestic shipments including captive imports.--U.S. producers' shipments of captive imports accounted for *** percent of total shipments in 1983 and rose steadily to *** percent in 1986 (table 9). When considering U.S. producers' domestic shipments that include captive imports (i.e., total North American shipments by U.S. producers to the U.S. market), changes in their market share are magnified. North American shipments to the U.S. market rose by *** percent from 1983 to 1984, fell by *** percent in 1985, and continued to fall by *** percent in 1986.

Imports of tubeless steel disc wheels from Canada and West Germany by domestic manufacturers were reportedly treated as extensions of the U.S. industry, because these imports were priced and marketed as if produced domestically.

Canadian operations.--Petitioner has acknowledged that its U.S. competitors have certain competitive advantages in their ability to produce tubeless steel disc wheels in Canada. 1/ In discussions with officials of the two U.S. producers with Canadian manufacturing subsidiaries, Accuride and

1/ Petitioner's posthearing brief, p. 3.

Table 8.--Tubeless steel disc wheels: U.S. producers' domestic shipments, by firm, 1983-86

Firm	1983	1984	1985	1986
	Quantity (1,000 units)			
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	974	1,529	1,168	1,076
	Value (1,000 dollars)			
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	56,232	87,174	69,187	61,338
	Unit value			
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Average	$57.73	$57.01	$59.24	$57.01

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

Table 9.--Tubeless steel disc wheels: U.S. producers' domestic shipments of U.S.-produced and imported product, by firm, 1983-86

* * * * * * *

Motor Wheel, some of the factors that influence rationalization of production in Canada during the period of investigation were identified as follows: 1/

1) Costs of production--***.

2) Customer preferences/requirements--The U.S.-Canada Automotive Products Trade Agreement (Auto Pact) was enacted in 1965 and provided for duty-free trade of original equipment parts and most new vehicles between Canada and the United States. The Auto Pact requires 50 percent North American content, and in addition Canada requires "qualified manufacturers" to maintain a) a 1:1 production-to-sales ratio in Canada, and b) Canadian value added (CVA) of 60 percent for vehicles sold in Canada. 2/ U.S. producers with subsidiaries in Canada are able to respond to U.S. and Canadian purchasers' requirements for Canadian content. For example, ***. 3/

1/ Telephone conversations with ***.
2/ Automotive Parts International, Jan. 30, 1987, p. 4.
3/ Mar. 26, 1987, telephone conversation with ***.

3) Quality requirements--Major OEMs will only purchase from qualified suppliers. ***.

4) Exchange rates--in real terms the Canadian dollar has enjoyed a slightly favorable edge in relation to the U.S. dollar during 1983-86. 1/

U.S. exports

U.S. exports of tubeless steel disc wheels increased annually during 1983-86, but were small, accounting for approximately *** percent of U.S. producers' domestic shipments in 1983, and steadily increased to *** percent of shipments in 1986. The increases in recent years are due principally to *** (table 10).

Table 10.--Tubeless steel disc wheels: U.S. exports of domestic merchandise, by firm, 1983-86

* * * * * * *

U.S. producers' inventories

U.S. producers' yearend inventories of tubeless steel disc wheels declined irregularly from 100,000 units in 1983 to 93,000 units in 1986, or by 7.0 percent. As a percentage of domestic shipments, inventories declined from 10.3 percent in 1983 to 3.2 percent in 1984, then increased to 7.5 percent in 1985, and rose again to 8.6 percent in 1986 (table 11).

Employment and productivity

The number of workers producing tubeless steel disc wheels in U.S. plants increased from 217 in 1983 to 355 in 1984, or by 63.6 percent, declined 7.9 percent to 327 in 1985, then declined 9.5 percent to 296 in 1986, representing an increase of 36.4 percent from 1983 (table 12). Average hourly wages increased annually from $11.56 in 1983 to $13.27 in 1986, or by an average annual 3.7 percent. Worker productivity decreased by 19.0 percent from 1983 to 1984, 2/ but did not change from 1984 to 1986.

1/ The real-exchange-rate index for the 4th quarter of 1983-86 is as follows (expressed in U.S. dollars per Canadian dollar, January-March 1983=100.0):

1983	= 100.1
1984	= 96.3
1985	= 94.7
(3rd Q) 1986	= 97.4

(Certain fresh cut flowers from Canada, Investigations Nos. 701-TA-275 and 731-TA-327 Final, USITC publication 1956, March 1987, table 59.)

2/ The decrease in productivity is attributable principally to ***.

Table 11.--Tubeless steel disc wheels: U.S. producers' inventories, by firm, as of Dec. 31, 1983-86

Firm	As of Dec. 31-- 1983	1984	1985	1986
	Inventories (1,000 units)			
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	100	49	88	93
	Ratio of inventories to shipments (percent)			
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Average	10.3	3.2	7.5	8.6

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

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. Budd and Accuride each reported such layoffs, which they attributed to reductions in sales, as shown in the following tabulation:

* * * * * * *

Labor highlights.--Workers at all three firms that produce the subject wheels are represented by unions. Labor highlights are presented below.

Accuride negotiated a 3-year contract with the United Auto Workers (UAW) in February 1986, that provided for a cost-of-living adjustment (COLA), wage increases, and a "living agreement" that allowed for renegotiation in order to stay competitive. In 1985, workers at Accuride's Canadian facility were out on strike for 5 weeks. 1/

In March 1985, workers at Budd's Frankfort, OH, facility negotiated a give-back contract that a) gave up an annual improvement factor; b) deferred COLAs; and c) accepted work rule concessions which allowed for increased automation. 2/ In addition, on May 9, 1986, Budd's union filed a petition for trade adjustment assistance with the U.S. Department of Labor. On October 31, 1986, Labor ruled that the Frankfort plant workers had been adversely affected by imports of Brazilian wheels and were eligible for trade adjustment assistance. 3/

1/ Apr. 7, 1987, telephone conversation with ***.
2/ TR, pp. 12-13.
3/ TR, pp. 18-19.

Table 12.--Tubeless steel disc wheels: Number of production and related workers, hours worked by such workers, hourly wages paid, and productivity, by firm, 1983-86

Item and firm	1983	1984	1985	1986
Number of workers:				
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	217	355	327	296
Hours worked:				
Accuride.....1,000 hours..	***	***	***	***
Budd Co.....do....	***	***	***	***
Motor Wheel Corp.....do....	***	***	***	***
Total.....do....	476	843	683	624
Total compensation:				
Accuride.....1,000 dollars..	***	***	***	***
Budd Co.....do....	***	***	***	***
Motor Wheel Corp.....do....	***	***	***	***
Total.....do....	8,360	15,089	13,580	13,075
Hourly wages paid:				
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Average	$11.56	$11.83	$12.33	$13.27
Total hourly compensation:				
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Average	$17.56	$17.90	$19.88	$20.95
Productivity:				
Accuride.....units per hour..	***	***	***	***
Budd Co.....do....	***	***	***	***
Motor Wheel Corp.....do....	***	***	***	***
Average.....do....	2.1	1.8	1.8	1.8

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

In August 1985 Motor Wheel negotiated a contract with its labor union that provided for wage increases, and in July 1986 reopened negotiations which achieved work rule concessions. 1/

1/ Mar. 27, 1987, telephone conversation with ***.

Financial experience of U.S. producers

Three producers, which accounted for 100 percent of domestic shipments of tubeless steel disc wheels in 1986, furnished usable income-and-loss data for both their overall establishment operations and tubeless steel disc wheel operations.

Overall establishment operations.--Net sales increased by 35.3 percent from $207.4 million in 1983 to $280.7 million in 1984, then declined in 1985 and 1986 (table 13). In 1986, sales were $239.3 million, a decrease of 13.7 percent from 1985 sales of $277.4 million. For the interim period ended December 31, 1986, ***. Operating income was $2.5 million in 1983, $8.9 million in 1984, and $10.3 million in 1985; an operating loss of $1.9 million was incurred in 1986. Operating income (loss) margins, as a percent of sales, were 1.2, 1/ 3.2, 3.7, and (0.8) during 1983-86, respectively. During the interim periods, ***. Income-and-loss experience for the individual companies is presented in table 14.

Operations producing tubeless steel disc wheels.--Net sales increased by 62.3 percent from $52.9 million in 1983 to $85.9 million in 1984, then declined in 1985 and 1986 (table 15). Sales decreased by 20.3 percent from $75.5 million in 1985 to $60.2 million in 1986. For the interim period ended December 31, 1986, ***. An operating loss of $1.5 million was incurred in 1983. Operating income was $4.6 million in 1984, $3.5 million in 1985, and $289,000 in 1986. Operating income (loss) margins, as a percent of sales, were (2.8), 5.3, 4.6, and 0.5 during 1983-86, respectively. During the interim periods, ***. ***.

Sales of tubeless steel disc wheels accounted for 25.2 percent of total establishment sales in 1986. Budd's sales of tubeless steel disc wheels as a share of establishment sales was *** percent in 1986. Comparisons of establishment and product line data for the three producers are presented in the following tabulation (in thousands of dollars and percent):

Company	Establishment	Product	Percent
Accuride	***	***	***
Budd 1/	***	***	***
Motor Wheel	***	***	***
Total	***	***	***

1/ For the interim period Sept. 1-Dec. 31, 1986, Budd's sales of tubeless steel disc wheels accounted for *** percent of establishment sales.

1/ ***.

Table 13.--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 1983-86 and interim periods ended Dec. 31, 1985, and Dec. 31, 1986 1/

Item	1983 2/	1984	1985	1986	Interim period ended Dec. 31-- 1985	1986
Net sales.....1,000 dollars..	207,424	280,731	277,443	239,304	***	***
Cost of goods sold.....do....	194,260	259,151	252,193	227,506	***	***
Gross profit.....do....	13,164	21,580	25,250	11,798	***	***
General, selling, and administrative expenses 1,000 dollars..	10,687	12,706	14,902	13,706	***	***
Operating income (loss) 1,000 dollars..	2,477	8,874	10,348	(1,908)	***	***
Interest.....do....	2,004	2,243	2,765	2,402	***	***
All other income (expense), net 1,000 dollars..	54	75	(53)	(134)	***	***
Net income (loss) before income taxes.....1,000 dollars..	527	6,706	7,530	(4,444)	***	***
Depreciation and amortization expense.....1,000 dollars..	8,380	7,337	7,632	7,672	***	***
Cash flow from operations 1,000 dollars..	8,907	14,043	15,162	3,228	***	***
Ratio to net sales of:						
Cost of goods sold percent..	93.7	92.3	90.9	95.1	***	***
Gross profit.....do....	6.3	7.7	9.1	4.9	***	***
General, selling, and administrative expenses percent..	5.2	4.5	5.4	5.7	***	***
Operating income (loss) percent..	1.2	3.2	3.7	(0.8)	***	***
Net income (loss) before income taxes.....percent..	0.3	2.4	2.7	(1.9)	***	***
Number of firms reporting:						
Operating losses.....	***	***	***	***	***	***
Net losses.....	***	***	***	***	***	***
Data.....	3	3	3	3	2	2

1/ Accuride's fiscal year ends ***, Budd's, ***, and Motor Wheel's, ***.
2/ 1983 sales do not include ***.

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

Table 14.--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 1983-86 and interim periods ended Dec. 31, 1985, and Dec. 31, 1986 1/

Item and firm	1983	1984	1985	1986	Interim period ended Dec. 31--1985	Interim period ended Dec. 31--1986
	Value (1,000 dollars)					
Net sales:						
Accuride	***	***	***	***	***	***
Budd Co 2/	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Total	207,424	280,731	277,443	239,304	***	***
Gross profit (loss):						
Accuride	***	***	***	***	***	***
Budd Co	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Total	13,164	21,580	25,250	11,798	***	***
Operating income (loss):						
Accuride	***	***	***	***	***	***
Budd Co	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Total	2,477	8,874	10,348	(1,908)	***	***
	Percent of net sales					
Gross profit (loss):						
Accuride	***	***	***	***	***	***
Budd Co	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Weighted-average	6.3	7.7	9.1	4.9	***	***
Operating income (loss):						
Accuride	***	***	***	***	***	***
Budd Co	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Weighted-average	1.2	3.2	3.7	(0.8)	***	***

1/ Accuride's fiscal year ends ***, Budd's, ***, and Motor Wheel's, ***. Interim period data was not provided by ***.
2/ *** 1983 sales do not include ***.

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

Table 15.--Income-and-loss experience of 3 U.S. producers on their operations producing tubeless steel disc wheels, accounting years 1983-86 and interim periods ended Dec. 31, 1985, and Dec. 31, 1986 1/

Item	1983	1984	1985	1986	Interim period ended Dec. 31-2/ 1985 3/	1986
Net sales.....1,000 dollars..	52,933	85,886	75,517	60,216	***	***
Cost of goods sold.....do....	51,203	76,482	66,944	56,210	***	***
Gross profit.....do....	1,730	9,404	8,573	4,006	***	***
General, selling, and administrative expenses.....do....	3,232	4,822	5,118	3,717	***	***
Operating income (loss) 1,000 dollars..	(1,502)	4,582	3,455	289	***	***
Interest.....do....	990	1,131	1,424	1,142	***	***
All other income (expense), net 1,000 dollars..	2	-	-	-	***	***
Net income (loss) before income taxes.....1,000 dollars..	(2,490)	3,451	2,031	(853)	***	***
Depreciation and amortization expense.....1,000 dollars..	4,099	4,236	3,804	4,132	***	***
Cash flow from operations 1,000 dollars..	1,609	7,687	5,835	3,279	***	***
Ratio to net sales of:						
Cost of goods sold...percent..	96.7	89.1	88.6	93.3	***	***
Gross profit.....do...	3.3	10.9	11.4	6.7	***	***
General, selling, and administrative expenses...percent..	6.1	5.6	6.8	6.2	***	***
Operating income (loss) percent..	(2.8)	5.3	4.6	0.5	***	***
Net income (loss) before income taxes.....percent..	(4.7)	4.0	2.7	(1.4)	***	***
Number of firms reporting:						
Operating losses.....	***	***	***	***	***	***
Net losses.....	***	***	***	***	***	***
Data.....	3	3	3	3	1	1

1/ Accuride's fiscal year ends Oct. 31, Budd's, Sept. 30, and Motor Wheel's, Dec. 31. Interim period data were not provided by Motor Wheel.

2/ Accuride provided the following interim data (not included):

	1985	1986
Net sales.....1,000 dollars..	***	***
Operating income (loss)... do....	***	***
Percent of net sales:		
Operating income (loss).....	***	***

Accuride's operating income in interim 1985 is ***.

3/ ***.

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

The operations of these companies are characterized by a relatively high proportion of factory overhead costs. Although these costs include fixed costs such as depreciation, insurance, and taxes, they are predominantly personnel-related expenses. These companies employ large numbers of support personnel for maintenance, set up, clerical, and plant management activities. A breakdown of the cost of goods sold by components for tubeless steel disc wheels is indicated in the following tabulation (in percent):

Costs	1983	1984	1985	1986
Raw materials	51.1	57.8	57.2	51.0
Direct labor	5.1	5.9	5.9	7.0
Factory overhead	43.8	36.3	36.9	42.0
Total	100.0	100.0	100.0	100.0

The income-and-loss experience for each of these companies is presented in table 16. The decline in profitability for 1986 was due to various factors which caused operating costs to decline at lower rates than the corresponding sales revenues. Rising wage levels and fixed costs, some of which increased because of inflation, limited the reduction in costs. Production in other product lines decreased, and as a result, the subject product absorbed a larger than normal share of overhead costs. In addition, these companies have been reluctant to reduce overhead personnel costs to reflect reduced sales activity. A discussion of the individual companies follows:

* * * * * * *

* * * * * * *

* * * * * * *

Table 16.--Income-and-loss experience of 3 U.S. producers on their operations producing tubeless steel disc wheels, by producer, accounting years 1983-86 and interim periods ended Dec. 31, 1985 and Dec. 31, 1986 1/

Item and firm	1983	1984	1985	1986	Interim period ended Dec. 31--1985 2/	1986
	Value (1,000 dollars)					
Net sales:						
Accuride	***	***	***	***	***	***
Budd Co	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Total	52,933	85,886	75,517	60,216	***	***
Gross profit (loss):						
Accuride	***	***	***	***	***	***
Budd Co	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Total	1,730	9,404	8,573	4,006	***	***
Operating income (loss):						
Accuride	***	***	***	***	***	***
Budd Co	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Total	(1,502)	4,582	3,455	289	***	***
	Percent of net sales					
Gross profit (loss):						
Accuride	***	***	***	***	***	***
Budd Co	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Weighted-average	3.3	10.9	11.4	6.7	***	***
Operating income (loss):						
Accuride	***	***	***	***	***	***
Budd Co	***	***	***	***	***	***
Motor Wheel Corp	***	***	***	***	***	***
Weighted-average	(2.8)	5.3	4.6	0.5	***	***

1/ Accuride's fiscal year ends ***., Budd's, ***, and Motor Wheel's, ***. Interim period data were not provided by ***.
2/ Budd closed its plant for 3 weeks in the 1985 interim period.

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

Investment in productive facilities.--The investment in productive facilities for overall establishment and tubeless steel disc wheel operations is shown in table 18. The investment in such facilities for the establishment, valued at cost, was $121.3 million as of the end of 1983 and $126.5 million as of the end of 1986. The book value of such assets was $60.9 million as of December 31, 1986. Total reported investment in productive facilities for tubeless steel disc wheels, valued at cost, was $66.7 million as of the end of 1983 and $65.9 million as of the end of 1986. The book value of such assets was $34.6 million as of December 31, 1986.

Table 18.--Tubeless steel disc wheels: U.S. producers end-of-period valuation of fixed assets, accounting years 1983-86

(In thousands of dollars)

Item	1983	1984	1985	1986
Establishment:				
Original cost--				
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	121,273	117,699	121,752	126,502
Book value:				
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	60,059	60,529	59,319	60,922
Tubeless steel disc wheels: 1/				
Original cost--				
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	66,747	59,227	60,465	65,895
Book value:				
Accuride	***	***	***	***
Budd Co	***	***	***	***
Motor Wheel Corp	***	***	***	***
Total	34,310	32,492	31,423	34,605

1/ ***.

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 for the overall establishment and for tubeless steel disc wheels. Capital expenditures for the overall establishment declined 30.5 percent from $*** million in 1983 to $*** million in 1985. In 1986, expenditures rose 36.8 percent to $*** million. Capital expenditures for tubeless steel disc wheels declined 19.1 percent from $*** million in 1983 to $*** million in 1985. In 1986, expenditures rose 45.9 percent to $*** million, as shown in the following tabulation (in thousands of dollars):

Item and year	Accuride	Budd	Motor Wheel	Total
Establishment:				
1983	***	***	***	***
1984	***	***	***	***
1985	***	***	***	***
1986	***	***	***	***
Total	***	***	***	***
Tubeless steel disc wheels:				
1983	***	***	***	***
1984	***	***	***	***
1985	***	***	***	***
1986	***	***	***	***
Total	***	***	***	***

Research and development expenses.--The research and development expenditures for the three producers rose *** percent from *** in 1983 to *** in 1986. *** outlay during the reporting period, as shown in the following tabulation (in thousands of dollars):

	Accuride	Budd	Motor Wheel	Total
1983	***	***	***	***
1984	***	***	***	***
1985	***	***	***	***
1986	***	***	***	***
Total	***	***	***	***

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:

* * * * * * *

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 must 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. Discussions of rates of increase in imports and their U.S. market penetration, as well as their effect on domestic prices, are presented in the section of the report entitled "Consideration of the causal relationship between the 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, 1/ 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. *** firms, which accounted for 99 percent of the subject imports from Brazil in 1986, reported inventories totaling *** units at yearend 1985 and *** units at yearend 1986. As a percentage of shipments by the importing firms, inventories averaged *** percent in 1985 and *** percent in 1986.

Capacity of producers in Brazil to generate exports

Information in this section of the report was received by counsels for the three Brazilian producers that exported tubeless steel disc wheels to the United States during the period of investigation.

Brazilian producers.--By the end of the period of investigation, three Brazilian producers had capacity to manufacture tubeless steel disc wheels for export to the United States. A discussion of the three Brazilian producers is provided below.

Borlem S.A. Empreedimentos Industriais (Borlem) is the largest of four manufacturers of vehicle wheels in Brazil. Borlem product lines include wheels for a) passenger cars and light trucks, b) heavy truck and agricultural equipment (tube-type), c) aluminum wheels, and d) tubeless steel disc wheels and demountable rims. Tubeless steel disc wheels accounted for approximately *** percent of total Borlem sales in 1986. Borlem did not manufacture or sell tubeless steel disc wheels prior to ***; Borlem accounted for *** percent of exports of tubeless steel disc wheels to the United States in 1986.

Veiculos E Equipamentos S.A. (FNV) is a diversified company manufacturing railroad cars, truck chassis, truck trailers, railroad wheels, truck wheels, custom foundry products, miscellaneous stampings, excavating equipment, cranes, and a variety of automotive and truck parts. Prior to ***, FNV did not produce tubeless steel disc wheels; tubeless steel disc wheels accounted for approximately *** percent of FNV's sales in 1986. FNV accounted for *** percent of exports of tubeless steel disc wheels to the United States in 1986.

1/ Additional information on product shifting is provided in the section of the report entitled "The product" (subsection entitled "Brazilian equipment and interchangeability").

A third Brazilian producer, Rockwell do Brasil Fumagalli, S.A. (Fumagalli), established capacity to produce tubeless steel disc wheels in ***. Fumagalli accounted for *** percent of exports of tubeless steel disc wheels to the United States in 1986. 1/

Brazilian capacity and production.--Counsel for the respondents has reported that the Brazilian producers can readily shift capacity and production between tubeless and tube-type disc wheels. 2/ Information has been provided by the respondents on Brazilian capacity, production, shipments, and inventories for their operations of both tubeless and tube-type steel disc wheels, which are discussed separately below.

Tubeless steel disc wheel operations.--Brazilian capacity to produce tubeless steel disc wheels increased from *** units in 1984 to *** units in 1985, or by *** percent, as FNV entered the export market (table 19). Capacity increased further by *** percent to *** units in 1986, as Fumagalli entered the market. Borlem has recently completed expansion plans for tubeless steel disc wheels, so that Brazilian capacity is projected to amount to *** units in 1987, or an increase of *** percent.

Production of tubeless steel disc wheels increased from *** units in 1984 to *** units in 1985, decreased to *** units in 1986, and is projected to increase to *** units in 1987, due principally to anticipated increases in exports to third countries.

Capacity utilization increased from *** percent in 1984 to *** percent in 1985, decreased to *** percent in 1986, and is projected to increase to *** percent in 1987.

Home market shipments and Brazilian demand.--The market for tubeless steel disc wheels in Brazil was non-existent in 1983, as Brazilian class 6, 7, and 8 trucks are known to use tube-type wheels. In 1984, Brazilian wheel producers began to manufacture tubeless steel disc wheels for Brazilian producers of export vehicles. Sales of tubeless steel disc wheels in Brazil increased *** from *** units in 1984 to *** units in 1985, rose by *** percent to *** units in 1986, and is projected to increase by *** percent

Table 19.--Tubeless steel disc wheels: Brazilian capacity, production, and shipments, 1983-87, January-May and June-December of 1985 and 1986, and January-February of 1986 and 1987

* * * * * * *

1/ ***.

2/ Respondents' posthearing responses to requests for addition information, pp. 1 and 3. See also the section of the report entitled "The product" (subsection entitled "Brazilian equipment and interchangeability").

to *** units in 1987; 1/ sales are forecasted for ***. 2/ As a share of total Brazilian shipments of tubeless steel disc wheels, home market sales accounted for *** percent in 1984, rose to *** percent in 1985, continued to rise to *** percent in 1986, and is projected to increase further to *** percent in 1987.

Exports to the United States.--There were no exports of tubeless steel disc wheels to the United States in 1983. Exports to the United States began in 1984, increased from *** units to *** units by 1985, or by *** percent, then decreased by *** percent to *** units in 1986. Exports to the United States are projected to decrease by *** percent to *** units in 1987, as Brazilian home market demand increases. Exports to the United States, as a share of total Brazilian shipments dropped from *** percent in 1984 to *** percent in 1985, and continued to fall to *** percent in 1986. Exports to the United States are projected to decline to *** percent of total Brazilian shipments in 1987, as exports to third countries are expected to increase.

Exports to third countries.--Exports of Brazilian tubeless steel disc wheels to third countries increased from *** percent of total Brazilian shipments in 1984 to *** percent in 1986. *** has been the principal market for third country exports, accounting for *** percent of such exports in 1984 and 1985, and *** percent in 1986. Third-country exports are projected to increase to *** percent of total Brazilian shipments, in response to anticipated requirements in ***. 3/

Tube-type operations.--From 1983 to 1985, while tubeless capacity was increasing, capacity of Borlem and FNV to produce tube-type steel disc wheels decreased by *** percent in 1984 and *** percent in 1985; in 1986, tube-type capacity increased by *** percent and is projected to increase slightly by *** percent in 1987 (table 20). Production of tube-type steel disc wheels increased consistently from 1983 to 1986 at an average annual rate of *** percent; however, production is expected to decrease in 1987 as home market sales are projected to decline. Capacity utilization for tube-type steel disc wheels rose steadily from *** percent in 1983 to a high of *** percent in 1986; capacity utilization is projected to decrease to *** percent in 1987.

Table 20.--Brazilian steel disc wheels: Brazilian capacity, production and shipments for tube-type steel disc wheels, 1983-87

* * * * * * *

1/ Petitioner's estimate that trucks exported from Brazil to the United States currently account for 60,000 tubeless steel disc wheels; *** (Petitioner's prehearing brief, p. 32).
2/ Respondents' Mar. 23, 1987, submission to Commission staff.
3/ ***.

Production and shipments of tube-type steel disc wheels for the two Brazilian producers is almost entirely absorbed by the home market in Brazil. Home market sales as a share of total shipments ranged from a low of *** percent in 1984 to a high of *** percent in 1986.

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

U.S. imports

U.S. imports of tubeless steel disc wheels subject to this investigation are not reported separately in official statistics of the U.S. Department of Commerce. Such imports are reported in statistical provisions (TSUSA items 692.3230 and 692.3330) that also include wheels suitable for use on automobiles, light trucks, and other vehicles not covered by the investigation. Import data from all countries presented in table 21 were compiled from responses to the Commission's questionnaire from 10 importers that accounted for approximately 90 percent of total imports of tubeless steel disc wheels in 1985. *** importers of Brazilian tubeless steel disc wheels accounted for approximately 95 percent of Brazilian imports in 1985 and 99 percent in 1986.

Brazil.--There were no reported imports of tubeless steel disc wheels from Brazil in 1983. U.S. imports of the subject wheels from Brazil increased from *** units valued at *** in 1984, to *** units valued at *** in 1985, or a twofold increase in quantity and value. Imports from Brazil decreased to *** units valued at *** in 1986, or by approximately 30.8 percent in quantity and 31.5 percent in value. The unit value of U.S. imports of tubeless steel disc wheels from Brazil was *** in 1984, increased to *** in 1985, and declined slightly to *** in 1986.

Canada.--Imports of tubeless steel disc wheels from Canada accounted for the largest share of imports, with levels declining from *** percent of total imports in 1983 to *** percent in 1986. From 1983 to 1984, imports of Canadian tubeless steel disc wheels increased from *** units to *** units, or by *** percent. Imports of Canadian wheels declined to *** units in 1985, or by *** percent, and continued to decline to *** units in 1986, or by *** percent. The unit value for imports of tubeless steel disc wheels from Canada was ***.

Imports of tubeless steel disc wheels from Canada were controlled by the operating decisions of two U.S. producers, Accuride and Motor Wheel. Both firms have indicated that their Canadian imports/shipments were priced and marketed as if produced domestically. Through their Canadian subsidiaries, the two firms accounted for all known imports of tubeless steel disc wheels from Canada; ***.

Table 21.--Tubeless steel disc wheels: U.S. imports for consumption, by source, 1983-86

* * * * * * *

West Germany.--Imports of tubeless steel disc wheels from West Germany accounted for *** percent of total imports in 1983, increased slightly to *** percent in 1984, increased further to *** percent in 1985, and decreased to *** percent in 1986. From 1983 to 1985, imports from West Germany increased from *** units to *** units, and decreased to *** units in 1986, or by *** percent. The unit value of West German tubeless steel disc wheels increased irregularly during the period of investigation from ***; price increases have been attributed principally to changes in currency valuations. As either an importer or a purchaser of imports, Accuride and Motor Wheel accounted for ***.

* * * * * * *

Japan.--Imports of tubeless steel disc wheels from Japan entered the United States in late 1984 and early 1985, accounting for the third largest share of total imports in 1985 (***), and declined to the lowest share of imports in 1986 (***). From 1985 to 1986, imports of Japanese tubeless steel disc wheels decreased from *** wheels to *** wheels, or by *** percent. The unit value for imports of Japanese tubeless steel disc wheels was the lowest of all imports at *** in 1985 and *** in 1986.

On May 27, 1985, DOT issued a recall of tubeless steel disc wheels from Japan, because of the improper shaping of bolt-hole countersinks, as well as the countersinks being too shallow and eccentric. As of NHTSA's final report, September 30, 1986, the status of the recall is detailed as follows: 1/

Total number recalled.....	***
Number corrected/replaced.....	***
Number exported.....	***
Number unaccounted for.....	***

The DOT recall affected shipments of imports of Japanese wheels, as reflected in the unusually high inventory/imports ratio reported by the two importers of Japanese wheels; i.e., 1985 inventory of *** units represented *** percent of total imports from Japan in that year (this ratio fell to *** in 1986). 2/

U.S. market penetration

Market penetration by imports from all sources increased annually from *** percent of consumption in 1983 to *** percent of consumption in 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 then decreased to *** percent in 1986 (table 22).

1/ Mar. 5, 1987, telephone conversation with Jim Murray, NHTSA.

2/ Testimony of a U.S. distributor of heavy truck wheels indicated that the effect of the strategy was to shift inventory to the distributor level, where it continues to overhang the market (TR, pp. 126-127).

Table 22.--Tubeless steel disc wheels: Shares of apparent consumption, 1983-86

* * * * * * *

Data on each of the three channels of distribution that comprise the total U.S. market for heavy tubeless steel disc wheels is presented in table 23. An analysis of producers' and importers' market shares for each of the segments of the tubeless steel disc wheel market is provided below.

OEM market.--The OEM market accounted for *** percent of the total U.S. tubeless steel disc wheel market in 1986. U.S. producers' share of the OEM market decreased by *** points from 1983 to 1986. This loss of OEM market share for U.S. producers was attributable principally to decisions by ***.

Manufacturers' service dealer market.--Manufacturers' service dealers are the service and parts branches of the OEMs. The manufacturers' service dealer market accounted for *** percent of the total U.S. tubeless steel disc wheel market in 1986. During 1983-85, U.S. producers lost *** percentage points in this aftermarket for tubeless steel disc wheels principally to imports from Brazil and Canada.

Distributor market.--The distributor market accounted for *** percent of the total U.S. tubeless steel disc wheel market in 1986. U.S. producers lost *** points in this market during 1983-86 to imports of Brazilian and Japanese wheels.

Table 23.--Tubeless steel disc wheels: Shares of apparent consumption by market type, 1983-86 1/

(In percent)

Item	1983	1984	1985	1986
OEM market:				
Domestic shipments	***	***	***	***
Shipments of imports from--				
Brazil	***	***	***	***
Canada	***	***	***	***
Japan	***	***	***	***
West Germany	***	***	***	***
Total	***	***	***	***
Manufacturers' service dealer market:				
Domestic shipments	***	***	***	***
Shipments of imports from--				
Brazil	***	***	***	***
Canada	***	***	***	***
Japan	***	***	***	***
West Germany	***	***	***	***
Total	***	***	***	***
Distributor market:				
Domestic shipments	***	***	***	***
Shipments of imports from--				
Brazil	***	***	***	***
Canada	***	***	***	***
Japan	***	***	***	***
West Germany	***	***	***	***
Total	***	***	***	***
Total market:				
OEMs	***	***	***	***
Manufacturers' service dealers	***	***	***	***
Distributors	***	***	***	***
Total	***	***	***	***

1/ Shipments of imports from Japan, and therefore shares of consumption, are overstated. Reported figures include the DOT recall of Japanese wheels in 1985.

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

Prices

Tubeless steel disc wheels are durable goods that usually last 9 years or more. Because of their longevity, the majority of U.S.-produced tubeless steel disc wheels are sold to OEMs of trucks, tractors, and trailers rather than to the aftermarket. In 1985, 81.0 percent of U.S. producers' shipments of tubeless steel disc wheels were to OEMs. 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 for use both as original equipment and in the 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 OEMs 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 and to manufacturers' service dealers (see figs. 2 and 3). Producers and importers publish manufacturer and distributor pricelists showing net f.o.b. origin prices for small quantities and for trailerload purchases of 432 wheels. Because purchasers, whether OEMs or distributors, are generally responsible for freight costs and delivery arrangements, they tend to order in trailerload quantities. Average lead-times reported by purchasers of domestically produced wheels ranged from 1 to 4 weeks; the average leadtimes reported by purchasers of imported wheels from Brazil generally ranged from 1 to 4 months.

OEM sales.--The majority of sales of tubeless steel disc wheels to OEMs are on a fixed-period contract basis, although some spot sales occur. For sales to large OEMs, like General Motors or Fruehauf, price lists are used for reference in negotiations, but transaction prices are generally arrived at by a competitive bidding process. OEMs 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 OEMs. 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 OEMs for use on original equipment and sales to OEM-related dealers for aftermarket resale is not very sharp. OEMs often aggregate their expected production-related needs with their aftermarket needs when requesting a bid. Also, OEMs 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 cash-flow or inventory requirements 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

Figure 2.

Figure 3.

transaction prices, although a large distributor may obtain special discounts through informal negotiations. During periods of slack demand for wheels, such as in 1981-82, consignment sales to distributors have occurred. 1/

Price data.--The Commission requested producers and importers to provide quarterly price data from October-December 1983 through October-December 1986 on sales to their two largest OEM customers and their largest single quarterly sales 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).

Purchasers were requested by the Commission to provide quarterly price data from January-March 1984 through October-December 1986 on purchases of domestic, Brazilian, and other foreign wheels meeting the above criteria.

Usable price data were received from each of the three U.S. producers of disc wheels, although Motor Wheel was unable to provide price data for 1983. Usable price data were received from each of the seven firms known to have imported tubeless steel disc wheels from Brazil during the reporting period October-December 1984 to January-March 1986. 2/ Most of these data reflect sales to distributors. The Commission also received price data from two importers of Japanese disc wheels and from one importer of wheels from West Germany.

Usable price data were received from 24 purchasers, including 10 OEMs, 4 importers/distributors, 1 distributor that is a subsidiary of one of the U.S. producers, and 9 independent distributors.

Market price overview.--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 most likely resulted from the general economic recovery after 1983 and, perhaps more importantly, from changes in Government regulations that increased the maximum allowable length of trailers. Some large fleets reportedly delayed trailer purchases while legislation was pending. Following enactment, fleets placed large orders for trailers that could take advantage of the increase in maximum hauling capacity. Heavy demand in the OEM market caused U.S. producers of wheels to put some customers on allocation programs in 1984 and 1985. Purchasers' difficulties in obtaining wheels during this period may have caused upward pressure on producers' prices during 1985.

1/ Meeting with ***.

2/ ***, Brazilian wheels supplied by Borlem were imported by 5 distributors: Prudential Supply, Southwest Wheel, Maintenance Management, Sam Brown Co., and Century Wheel and Rim. Gamma Enterprises also began importation of wheels, ***, produced by FNV. ***.

Sales price trends.--Few generalizations regarding pricing behavior emerge clearly from the data. Sales prices were consistently higher for the larger 24.5-inch wheels than for the 22.5-inch wheels, and for distributors compared with OEMs. Depending on the producer, market segment, and wheel size, comparisons of U.S. producer prices in October-December 1986 with the same period in 1983 reveal that prices declined in some cases, increased in others, or were virtually unchanged.

Price data for U.S. producers' sales to OEMs generally indicate periods of steady prices, interrupted by price adjustments. For both wheel sizes, *** prices to OEMs were generally the highest of the three domestic producers. Pricing of Brazilian wheels varied widely by supplier. In 1985, several importers charged prices at or above prevailing market levels, whereas other importers reported selling Brazilian wheels at prices considerably less than the market average. During 1986, importer sales prices to OEMs were significantly below those of domestic suppliers. *** offered the lowest prices for its Brazilian imports.

For sales to distributors, selling prices reported by all three domestic producers were nearly uniform. Differences of under *** per wheel were reported since mid-1985. Comparing the prices charged by importers of Brazilian wheels, wide variations were found. Some sales of Brazilian wheels in 1984 were at prices comparable to, or above, those of domestic suppliers. However, other sales, such as those conducted by ***, were at prices considerably below those quoted by domestic suppliers.

Some of the variation among observed f.o.b. prices may be attributable to differences in transportation costs and various nonprice factors of competition between wheel suppliers. Because of differences in suppliers' pricing patterns and the relatively small number of U.S. producers, where relevant, the pricing patterns of individual suppliers are discussed in the context of each market segment.

Producer sales to OEMs.--Producers' prices reported by Budd, Accuride, and Motor Wheel, and importer prices reported by *** on their quarterly sales to their two largest customers, and weighted-average prices for domestic and imported Brazilian wheels are shown in tables 24 and 25. From October-December 1983 to April-June 1985, U.S. producers' weighted-average prices for 22.5-inch wheels to major customers increased from *** during October-December 1983, to a peak of *** during April-June 1985, before declining to *** per wheel during October-December 1986. U.S. producer prices for 24.5-inch wheels increased from *** during October-December 1983 to *** during January-March 1985, before declining to *** during October-December 1986. In general, prices moved similarly among the three domestic producers. For both wheel sizes, the largest price increases occurred between the fourth quarter of 1984 and the first quarter of 1985. For ***, most of the reported declines in price were concentrated in the first quarter of 1986. For *** the largest declines in selling price occurred during the next quarter.

Table 24.--Tubeless steel disc wheels sold to OEMs: Domestic producers' and Brazilian importers' f.o.b. selling prices for sales to their two largest OEM customers of 22.5" x 8.25" wheels, and margins of underselling by suppliers and by quarters, October 1983 to December 1986 1/

Period	Producers' prices				Importers' prices					Margin of underselling	
	Budd	Accu-ride	Motor Wheel	U.S. average	***	***	***	Others	Brazil average	Amount	Percent
	Per unit										
1983:											
Oct.-Dec...	***	***	***	$54.29	***	***	***	***	***	-	-
1984:											
Jan.-Mar...	***	***	***	53.72	***	***	***	***	***	-	-
Apr.-Jun...	***	***	***	53.59	***	***	***	***	***	-	-
Jul.-Sept..	***	***	***	54.21	***	***	***	***	***	-	-
Oct.-Dec...	***	***	***	54.25	***	***	***	***	***	-	-
1985:											
Jan.-Mar...	***	***	***	56.24	***	***	***	***	***	-	-
Apr.-Jun...	***	***	***	56.51	***	***	***	***	***	-	-
Jul.-Sept..	***	***	***	55.81	***	***	***	***	***	-	-
Oct.-Dec...	***	***	***	55.80	***	***	***	***	***	-	-
1986:											
Jan.-Mar...	***	***	***	54.64	***	***	***	***	***	-	-
Apr.-Jun...	***	***	***	***	***	***	***	***	***	$4.04	7.8
Jul.-Sept..	***	***	***	***	***	***	***	***	***	5.09	9.9
Oct.-Dec...	***	***	***	***	***	***	***	***	***	4.09	7.9

1/ The full specification is tubeless steel disc wheels in size 22.5" x 8.25", 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 25.—Tubeless steel disc wheels sold to OEMs: Domestic producers' and Brazilian importers' f.o.b. selling prices for sales to their two largest OEM customers of 24.5" x 8.25" wheels, and margins of underselling by suppliers and by quarters, October 1983 to December 1986 1/

Period	Producers' prices				Importers' prices					Margin of underselling	
	Budd	Accu-ride	Motor Wheel	U.S. average	***	***	***	Others	Brazil average	Amount	Percent
	Per unit										
1983:											
Oct.-Dec...	***	***	***	$53.72	***	***	***	***	***	-	-
1984:											
Jan.-Mar...	***	***	***	54.03	***	***	***	***	***	-	-
Apr.-Jun...	***	***	***	54.14	***	***	***	***	***	-	-
Jul.-Sept..	***	***	***	54.30	***	***	***	***	***	-	-
Oct.-Dec...	***	***	***	54.97	***	***	***	***	***	-	-
1985:											
Jan.-Mar...	***	***	***	57.46	***	***	***	***	***	-	-
Apr.-Jun...	***	***	***	57.36	***	***	***	***	***	-	-
Jul.-Sept..	***	***	***	57.12	***	***	***	***	***	-	-
Oct.-Dec...	***	***	***	57.17	***	***	***	***	***	-	-
1986:											
Jan.-Mar...	***	***	***	***	***	***	***	***	***	$2.73	4.9
Apr.-Jun...	***	***	***	***	***	***	***	***	***	4.51	8.4
Jul.-Sept..	***	***	***	***	***	***	***	***	***	5.30	10.0
Oct.-Dec...	***	***	***	***	***	***	***	***	***	5.13	9.7

1/ The full specification is tubeless steel disc wheels in size 24.5" x 8.25", 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.

Importer sales to OEMs.--Sales to OEMs conducted by importers of Brazilian wheels were largely confined to 1986. However, *** reported limited sales of both wheel sizes to several small OEMs in early 1985. These sales averaged over *** per wheel, at premiums of at least *** per wheel over average U.S. producer prices. Subsequent sales of Brazilian wheels to OEMs, all in 1986, were conducted by ***. Except for *** sales of 24.5-inch wheels in the first two quarters of 1986, these sales were made at prices considerably below those of the U.S. producers. In particular, *** sold 22.5-inch wheels for *** less than the domestic average price, and sold the 24.5-inch wheels for at least *** under domestic manufacturers' average price.

Producer sales to distributors.--Producers' prices reported by Budd, Accuride, and Motor Wheel, importer prices reported by *** on their quarterly sales to distributors, and weighted-average prices for domestic and imported Brazilian wheels are shown in tables 26 and 27. From October-December 1983 to April-June 1985, U.S. producers' weighted-average prices for 22.5-inch wheels to distributors increased from *** during October-December 1983, to a peak of *** during April-June 1985, before declining to *** per wheel during October-December 1986. U.S. producer prices for 24.5-inch wheels increased from *** during October-December 1983 to *** during April-June 1985, before declining to *** by the last quarter of 1986. In contrast to the OEM market, producer prices to distributors exhibited greater stratification. *** was generally the lowest priced in its sales to distributors. However, since mid-1985, for both wheel sizes, only small differences existed among the three domestic producers in their reported sales prices.

Importer sales to distributors.--Prices for sales of Brazilian disc wheels to distributors were first reported in the third quarter of 1984, by the importers/distributors classified under ***. These importers reported charging their customers prices of *** for 22.5-inch wheels, and *** for 24.5-inch wheels. These prices were at, or above, the prices charged by domestic wheel manufacturers. However, in general, the importer/distributors maintained prices that corresponded to the prevailing market level until they ceased direct importation in mid-1985. In contrast, *** reportedly sold its Brazilian wheels considerably below the prevailing market price. In January-March 1985, for example, *** price for 22.5-inch wheels was ***, in contrast with an average of *** charged by domestic manufacturers. Using *** price for comparison, the price difference exceeded *** per wheel. *** eventually raised its prices to as high as *** at a time when domestic producers were also asking about *** per 22.5-inch wheel. With respect to the 24.5-inch wheel, a very similar pattern in importer pricing is observed.

Purchase price trends.--Comparisons of purchase prices reveal that, except for the price series on purchases of 22.5-inch Brazilian wheels by distributors, prices paid by purchasers for domestic and imported Brazilian wheels generally declined over 1985-86.

Table 26.—Tubeless steel disc wheels sold to distributors: Producers' and importers' f.o.b. prices on the largest single quarterly sales of size 22.5" x 8.25" wheels, to distributors, and margins of underselling, by suppliers and by quarters, January 1983 to December 1986 1/

Period	Producers' prices				Importers' prices					Margin of underselling	
	Budd	Accu-ride	Motor Wheel	U.S. average	***	***	***	Others	Brazil average	Amount	Percent
	Per unit										
1983:											
Oct.-Dec...	***	***	***	$56.89	***	***	***	***	***	-	-
1984:											
Jan.-Mar...	***	***	***	56.12	***	***	***	***	***	-	-
Apr.-Jun...	***	***	***	56.75	***	***	***	***	***	-	-
Jul.-Sept..	***	***	***	***	***	***	***	***	***	-	-
Oct.-Dec...	***	***	***	***	***	***	***	***	***	$.65	1.1
1985:											
Jan.-Mar...	***	***	***	***	***	***	***	***	***	-	-
Apr.-Jun...	***	***	***	***	***	***	***	***	***	4.16	6.8
Jul.-Sept..	***	***	***	***	***	***	***	***	***	7.34	12.9
Oct.-Dec...	***	***	***	***	***	***	***	***	***	5.96	10.5
1986:											
Jan.-Mar...	***	***	***	***	***	***	***	***	***	6.88	12.1
Apr.-Jun...	***	***	***	***	***	***	***	***	***	2.81	5.1
Jul.-Sept..	***	***	***	***	***	***	***	***	***	.16	0.0
Oct.-Dec...	***	***	***	***	***	***	***	***	***	1.29	2.4

1/ The full specification is tubeless steel disc wheels in size 22.5" x 8.25", 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 27.—Tubeless steel disc wheels sold to distributors: Producers' and importers' f.o.b. prices on their largest single quarterly sales of size 24.5" x 8.25" wheels to distributors, and margins of underselling, by suppliers and by quarters, January 1983 to December 1986 1/

Period	Producers' prices				Importers' prices					Margin of underselling	
	Budd	Accu-ride	Motor Wheel	U.S. average	***	***	***	Others	Brazil average	Amount	Percent
	Per unit										
1983:											
Oct.-Dec...	***	***	***	$56.43	***	***	***	***	***	-	-
1984:											
Jan.-Mar...	***	***	***	58.15	***	***	***	***	***	-	-
Apr.-Jun...	***	***	***	58.57	***	***	***	***	***	-	-
Jul.-Sept..	***	***	***	***	***	***	***	***	***	-	-
Oct.-Dec...	***	***	***	***	***	***	***	***	***	$2.87	4.6
1985:											
Jan.-Mar...	***	***	***	***	***	***	***	***	***	2.19	3.5
Apr.-Jun...	***	***	***	***	***	***	***	***	***	-	-
Jul.-Sept..	***	***	***	***	***	***	***	***	***	5.54	9.5
Oct.-Dec...	***	***	***	***	***	***	***	***	***	4.77	8.2
1986:											
Jan.-Mar...	***	***	***	***	***	***	***	***	***	7.06	12.1
Apr.-Jun...	***	***	***	***	***	***	***	***	***	6.22	10.8
Jul.-Sept..	***	***	***	***	***	***	***	***	***	4.05	7.3
Oct.-Dec...	***	***	***	***	***	***	***	***	***	4.33	7.8

1/ The full specification is tubeless steel disc wheels in size 24.5" x 8.25", 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.

Reported c.i.f. purchase prices of U.S.-produced and imported Brazilian tubeless steel disc wheels varied considerably by source of supply, and by market segment, during the period under investigation. Price data for purchases by OEMs from U.S. producers generally indicate steady prices during 1985, followed by declines during 1986. For both wheel sizes, OEMs paid the most for *** wheels in 1985, and the least in 1986, in comparisons with the other domestic producers. To the extent that purchase price data were available for 1985, prices paid for Brazilian wheels were stable in 1985, and declined slightly during 1986.

With respect to trends in prices paid by distributors, prices for domestically produced wheels were generally falling over the period 1985-86. However, the timing of price movements varied by supplier and wheel type. According to data supplied by purchasers, *** was the lowest cost source of supply for domestic wheels to distributors in 1986. *** was uniformly the highest-price supplier of domestic wheels to distributors throughout 1985-86 for both wheel types. The cost of 22.5-inch Brazilian wheels to distributors was broadly unchanged over the 2-year period, whereas the price for larger wheels declined rather steadily.

Some of the variation among observed c.i.f. prices may be attributable to differences in transportation costs and various nonprice factors of competition among wheel suppliers. Because of differences in prices paid for wheels from different domestic producers, where relevant, patterns in purchase prices from individual suppliers are discussed in the context of each market segment.

OEM purchases from producers.--Quarterly prices (c.i.f. basis) reportedly paid by OEMs for tubeless steel disc wheels supplied by Budd, Accuride, and Motor Wheel over 1985-86, and weighted-average prices for domestic and imported Brazilian wheels are shown in tables 28 and 29. In general, purchase prices were steady throughout 1985, declined sharply in the first quarter of 1986, and fell somewhat further during the course of 1986. The average price paid by OEMs on purchases of 22.5-inch wheels from U.S. producers was *** in the first quarter of 1985, dropped from *** in the last quarter of 1985 to *** during the first quarter of 1986, and declined further to *** by yearend 1986. For the larger 24.5-inch wheels, the average price paid by OEMs on purchases from U.S. producers was *** during January-March 1985, and *** during the last quarter of 1985. However, during the next period, average purchase price fell sharply to ***, and declined further to *** by the end of 1986. For both wheel sizes, OEMs reported paying the highest prices for disc wheels from *** in 1985, while *** was generally the lowest-cost U.S. supplier during 1986. As a result, prices paid to *** declined the most over the 2-year period. Prices on *** 22.5-inch wheels fell from ***, or by *** percent over the period. For the 24.5-inch wheels, prices paid for *** wheels fell by nearly *** percent. In contrast, prices reportedly paid for *** products fell by ***, respectively. For wheels purchased from ***, the price declines over 1985-86 averaged *** percent, respectively.

Table 28.--Tubeless steel disc wheels purchases by OEMs: C.i.f. purchase prices from domestic producers and importers of 22.5" x 8.25" wheels, and margins of underselling, by suppliers and by quarters, January 1985 to December 1986 1/

Period	Prices from domestic producers				Prices from importers			Margin of underselling	
	Budd	Accu-ride	Motor Wheel	U.S. average	***	***	Brazil average	Amount	Percent
	Per unit								
1985:									
Jan.-Mar...	***	***	***	***	***	***	***	$8.09	13.7
Apr.-Jun...	***	***	***	***	***	***	***	8.16	13.8
Jul.-Sept..	***	***	***	***	***	***	***	7.24	12.5
Oct.-Dec...	***	***	***	***	***	***	***	7.18	12.4
1986:									
Jan.-Mar...	***	***	***	***	***	***	***	8.07	14.3
Apr.-Jun...	***	***	***	***	***	***	***	7.37	13.0
Jul.-Sept..	***	***	***	***	***	***	***	6.79	12.4
Oct.-Dec...	***	***	***	***	***	***	***	5.60	10.2

1/ The full specification is tubeless steel disc wheels in size 22.5" x 8.25", 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 29.--Tubeless steel disc wheels purchases by OEMs: C.i.f. purchase prices from domestic producers and importers of 24.5" x 8.25" wheels, and margins of underselling, by suppliers and by quarters, January 1985 to December 1986 1/

Period	Prices from domestic producers				Prices from importers			Margin of underselling	
	Budd	Accu-ride	Motor Wheel	U.S. average	***	***	Brazil average	Amount	Percent
	Per unit								
1985:									
Jan.-Mar...	***	***	***	$59.73	***	***	***	-	-
Apr.-Jun...	***	***	***	59.64	***	***	***	-	-
Jul.-Sept..	***	***	***	***	***	***	***	$6.11	10.3
Oct.-Dec...	***	***	***	***	***	***	***	5.95	10.0
1986:									
Jan.-Mar...	***	***	***	***	***	***	***	5.69	9.9
Apr.-Jun...	***	***	***	***	***	***	***	5.52	9.6
Jul.-Sept..	***	***	***	***	***	***	***	6.86	12.2
Oct.-Dec...	***	***	***	***	***	***	***	-	-

1/ The full specification is tubeless steel disc wheels in size 24.5" x 8.25", 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.

OEM purchases from importers.--Data on prices paid by OEMs for Brazilian wheels purchased from importers are disaggregated into purchases from ***. Purchase prices for Brazilian 22.5-inch wheels were reported for each of the 8 quarters spanning 1985-86. Purchase price data for the larger Brazilian wheels are confined to 5 quarters, beginning with July-September 1985. In general, OEMs reported that prices paid for imports showed a slight downtrend. Prices paid by OEMs for 22.5-inch wheels declined from *** per wheel in the first quarter of 1985 to *** by yearend 1986, for a decline of *** percent. Over the 5 quarters that price data on purchases of 24.5-inch wheels were reported, OEMs' purchase prices fell by *** percent, from *** to ***. Throughout 1985-86, average delivered prices of Brazilian wheels to OEMs were generally *** beneath those for domestically produced wheels.

Distributor purchases from producers.--Quarterly prices (c.i.f. basis) reportedly paid by distributors to Budd, Accuride, and Motor Wheel over 1985-86 for tubeless steel disc wheels, and weighted-average prices for domestic and imported Brazilian wheels are shown in tables 30 and 31. According to the prices reported, distributors paid the most for *** products during this period. For each of the 7 or 8 quarters for which price data for *** were reported, *** prices were lower, on average. In general, a comparison of purchase prices in the fourth quarter of 1986 with the first quarter of 1985 shows declines in purchase prices from each supplier and for each wheel type. The patterns of price decline were very different for the two wheel types, however.

Prices paid by distributors for 22.5-inch wheels held steady, and even increased, during 1985. Averaging across the three domestic suppliers, distributors paid *** in the first quarter of 1985, and *** by the fourth quarter. Average purchase prices then declined to *** during January-March 1986 before stabilizing at about *** for the year overall. Over the period, prices paid for *** 22.5-inch wheel declined from ***, a decline of about *** percent. Prices paid for *** wheels fell by 6 percent, from ***. Delivered prices paid for *** wheels declined by somewhat over *** percent, from *** per wheel.

In the case of 24.5-inch wheels, prices paid by distributors declined steadily over the 2-year period. Average price paid to the three domestic producers was *** in the first quarter of 1985. By the end of the year, this price had fallen to ***. A further decline to *** followed during the first quarter of 1986. At the end of 1986, the price paid for a domestically produced 24.5-inch wheel, on a delivered basis, was *** per wheel. The absence of any reported purchases of *** wheels by distributors during the last half of 1985 may reduce the usefulness of the series of average prices paid for domestic wheels, however. Prices paid by distributors for *** wheels declined by over *** over the interval April-June 1985 to January-March 1986. Over this period, prices paid for *** wheels were steady, or declining more modestly.

Distributor purchases from importers.--Data on prices paid by distributors for Brazilian wheels purchased from importers was disaggregated into those from ***. Weighted-average purchase prices for both sizes of Brazilian wheels were reported in each of the 8 quarters spanning 1985-86. Overall, purchase prices for both wheel sizes increased slightly over the reporting period. Weighted-average prices paid by distributors for the 22.5-inch imported wheel increased during 1985, from *** to *** by yearend

Table 30.—Tubeless steel disc wheels purchases by distributors: C.i.f. purchase prices from domestic producers and importers of size 22.5" x 8.25" wheels, to distributors, and margins of underselling, by suppliers and by quarters, January 1985 to December 1986 1/

Period	Prices from domestic Producers				Prices from importers			Margin of underselling	
	Budd	Accu-ride	Motor Wheel	U.S. average	***	***	Brazil average	Amount	Percent
	Per unit								
1985:									
Jan.-Mar...	***	***	***	***	***	***	***	$11.04	17.7
Apr.-Jun...	***	***	***	***	***	***	***	10.24	16.5
Jul.-Sept..	***	***	***	***	***	***	***	11.01	17.5
Oct.-Dec...	***	***	***	***	***	***	***	8.97	14.2
1986:									
Jan.-Mar...	***	***	***	***	***	***	***	6.44	10.7
Apr.-Jun...	***	***	***	***	***	***	***	7.38	12.3
Jul.-Sept..	***	***	***	***	***	***	***	7.42	12.4
Oct.-Dec...	***	***	***	***	***	***	***	6.62	11.1

1/ The full specification is tubeless steel disc wheels in size 22.5" x 8.25", 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 31.—Tubeless steel disc wheels purchases by distributors: C.i.f. purchase prices from domestic producers and importers of size 24.5" x 8.25" wheels to distributors, and margins of underselling, by suppliers and by quarters, January 1985 to December 1986 1/

Period	Prices from domestic producers				Prices from importers			Margin of underselling	
	Budd	Accu-ride	Motor Wheel	U.S. average	***	***	Brazil average	Amount	Percent
	Per unit								
1985:									
Jan.-Mar...	***	***	***	***	***	***	***	$11.35	17.6
Apr.-Jun...	***	***	***	***	***	***	***	9.86	15.6
Jul.-Sept..	***	***	***	***	***	***	***	7.30	11.9
Oct.-Dec...	***	***	***	***	***	***	***	6.61	10.7
1986:									
Jan.-Mar...	***	***	***	***	***	***	***	4.30	7.3
Apr.-Jun...	***	***	***	***	***	***	***	4.20	7.1
Jul.-Sept..	***	***	***	***	***	***	***	4.62	7.9
Oct.-Dec...	***	***	***	***	***	***	***	4.44	7.6

1/ The full specification is tubeless steel disc wheels in size 24.5" x 8.25", 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.

1985. However, by the end of 1986 the price had fallen back to ***. A similar pattern of prices can be discerned for the larger wheel size. For both wheel types, purchasers reported paying roughly $2.00 to $3.00 per wheel more from ***. Over the 2-year period, Brazilian wheels were available to distributors for *** per wheel below the price of domestically produced wheels on a delivered basis.

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/ On June 30, 1986, the staff contacted *** to substantiate this information. According to these representatives of NMB, beginning in July 1985, NMB's inventories of Japanese wheels began to build. At that time, the wheels were selling for *** per wheel for the 22.5-inch wheels and *** per wheel for the 24.5-inch wheels, f.o.b. basis. Starting in approximately January 1986, the prices for these wheels were lowered to ***, respectively, in order to reduce the inventory buildup of over *** wheels. These Japanese wheels were reportedly not inferior goods, not reworked, and not involved in any recall. They were new wheels warehoused in the United States. In May 1986, there were approximately *** surplus wheels left. As of late June 1986, the surplus was reportedly "more or less gone" and prices were expected to return to their pre-1986 levels (*** per wheel f.o.b.). Questionnaire data received by the Commission tends to confirm these expectations. Asked about an alleged commitment to customers to hold the increased prices firm throughout the remainder of 1986, *** stated that they would not have promised that.

OEM market for Japanese wheels.--Three sales of Japanese wheels to OEMs were reported during 1986. The first of these, during April-June, involved the 24.5-inch wheel, at an f.o.b. price of *** per wheel. Two additional sales were reported for the fourth quarter, at *** each for the 22.5-inch wheel, and *** for the 24.5-inch wheel. None of the OEMs that responded to the Commission's questionnaire reported purchase prices for Japanese wheels.

Distributor market for Japanese wheels.--Weighted-average prices for Japanese wheels sold (f.o.b. basis) by importers to distributors, along with comparable prices charged by U.S. producers and Brazilian importers, by wheel type, and by quarters for 1985-86, are provided in table 32. For both wheel sizes, selling prices were reported for 5 quarters, beginning with the fourth quarter of 1985. During October-December 1985, 22.5-inch and 24.5-inch Japanese wheels were sold, respectively, for *** and *** per wheel. Prices for Japanese wheels were generally lower in the first half of 1986, but recovered by the end of 1986.

Weighted-average prices (c.i.f. basis) for Japanese wheels purchased by distributors, along with weighted-average prices charged by U.S. producers and Brazilian importers, by wheel type, and by quarters for 1985-86, are provided in table 33. Data on distributor purchases of Japanese wheels were reported for 1986 only. For the 22.5-inch wheels, prices paid indicate an upward trend, rising from *** per wheel, to over *** per wheel during the course of 1986. Prices paid for the 24.5-inch wheel were steady during 1986, ranging narrowly around *** for the entire year.

1/ Staff conversations on June 26 and 27, 1986, with representatives of ***.

Table 32.--Tubeless steel disc wheel sales to distributors: F.o.b. weighted-average sales prices from domestic producers and importers of sizes 22.5" x 8.25" and 24.5" x 8.25" wheels, to distributors, by countries of supply and by quarters, January 1985 to December 1986 1/

Period	Sales of 22.5-inch wheels Weighted-average price			Sales of 24.5-inch wheels Weighted-average price		
	U.S.	Brazil	Japan	U.S.	Brazil	Japan
	Per unit					
1985:						
Jan.-Mar...	***	***	***	***	***	***
Apr.-Jun...	***	***	***	***	***	***
Jul.-Sept..	***	***	***	***	***	***
Oct.-Dec...	***	***	***	***	***	***
1986:						
Jan.-Mar...	***	***	***	***	***	***
Apr.-Jun...	***	***	***	***	***	***
Jul.-Sept..	***	***	***	***	***	***
Oct.-Dec...	***	***	***	***	***	***

1/ The full specifications are tubeless steel disc wheels in size 22.5" (or 24.5") x 8.25", 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 33.--Tubeless steel disc wheel purchases by distributors: C.i.f. weighted-average purchase prices from domestic producers and importers of sizes 22.5" x 8.25" and 24.5" x 8.25" wheels, to distributors, by countries of supply and by quarters, January 1985 to December 1986 1/

Period	Purchases of 22.5-inch wheels Weighted-average price			Purchases of 24.5-inch wheels Weighted-average price		
	U.S.	Brazil	Japan	U.S.	Brazil	Japan
	Per unit					
1985:						
Jan.-Mar...	***	***	***	***	***	***
Apr.-Jun...	***	***	***	***	***	***
Jul.-Sept..	***	***	***	***	***	***
Oct.-Dec...	***	***	***	***	***	***
1986:						
Jan.-Mar...	***	***	***	***	***	***
Apr.-Jun...	***	***	***	***	***	***
Jul.-Sept..	***	***	***	***	***	***
Oct.-Dec...	***	***	***	***	***	***

1/ The full specifications are tubeless steel disc wheels in size 22.5" (or 24.5") by 8.25", 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.

Sales price comparisons.--The reported selling price data for producers' and importers' quarterly sales during October 1983-December 1986 resulted in 31 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 made on an f.o.b. basis, the relative prices accurately reflect differences in the average net returns received by producers and importers. But, 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 more or less than the producers' and importers' price data indicate.

OEM price comparisons.--Price data provided 11 f.o.b. price comparisons on sales to OEMs during 1985-86 (see tables 24 and 25). Seven of these comparisons showed the imported Brazilian wheels selling at lower prices than the U.S. product, all from data pertaining to 1986. The four remaining comparisons, all drawn from the first 2 quarters of 1985, revealed Brazilian prices to be above those of the domestic product. Comparisons for 22.5-inch wheels show the Brazilian wheels selling at prices 8 percent to 10 percent below those of the domestic product during the last 3 quarters of 1986. Price comparisons for 24.5-inch wheels show the Brazilian wheels selling at 5 percent to 10 percent below the price of U.S.-produced wheels for the entirety of 1986.

Distributor price comparisons.--Sixteen of the 20 quarterly price comparisons on sales to distributors showed Brazilian wheels selling at lower prices than those of the U.S. product (see tables 26 and 27). Beginning with the second quarter of 1985, imports of Brazilian wheels were sold at prices lower than those of U.S. producers of the 22.5-inch wheels by $.16 to $7.34 per wheel, or by 0 to 13 percent. Beginning in July-September 1985, prices of the 24.5-inch Brazilian wheels were lower than prices of the U.S. wheels by margins ranging from $4.05 to $7.06, or by 7 to 12 percent.

Purchase price comparisons.--The reported purchase price data for OEMs and distributors' quarterly purchases during January 1985-December 1986 resulted in 29 c.i.f. price comparisons between weighted-average prices of U.S.-produced and imported Brazilian tubeless steel disc wheels. Because these price comparisons are made on a c.i.f. basis, the relative prices accurately reflect differences in the average delivered prices paid by OEMs and distributors. However, depending on the location of the purchasers, the actual differences in the prices received by producers and importers for U.S.-produced versus imported wheels could be more or less than the purchasers' price data indicate.

OEM price comparisons.--Price data provided 13 c.i.f. price comparisons on purchases by OEMs during 1985-86 (see tables 28 and 29). All of these comparisons showed the imported Brazilian wheels to have been sold at lower prices than the U.S. product. Comparisons for 22.5-inch wheels show the Brazilian wheels selling at prices 10 to 14 percent below those of the U.S. product throughout 1985-86. Price comparisons for 24.5-inch wheels show the Brazilian wheels selling at 10 to 12 percent beneath the price of U.S.-produced wheels from July-September of 1985 through the third quarter of 1986.

Distributor price comparisons.--All 16 of the quarterly price comparisons on purchases by distributors showed Brazilian wheels selling at lower prices than those of the U.S. product (see tables 30 and 31). Imports

of 22.5-inch Brazilian wheels were sold at prices lower than those of U.S. producers by $6.44 to $11.04 per wheel, or by 11 to 18 percent. Prices of the 24.5-inch Brazilian wheels were lower than prices of the U.S. wheels by margins ranging from $4.20 to $11.35, or by 7 percent to 18 percent.

Transportation costs

Producers, importers, and purchasers stated that transportation costs can play a significant role in competition among suppliers. 1/ Tubeless steel disc wheels are produced domestically at facilities in Ohio and Kentucky. Each of the three domestic firms indicated that they market tubeless steel disc wheels nationally. In general, domestically produced disc wheels are shipped by truck to customers throughout the country.

Up to seven firms have been engaged in direct importation of Brazilian wheels over the period of the investigation. Following a reorganization in mid-1985, this number has declined to three, only one of which is understood to be currently active. ***. Although *** has maintained a warehouse, on large orders where long lead times are not a problem, importers usually arrange direct factory shipments of disc wheels to ports nearest each respective customer.

Producers and importers usually sell tubeless steel disc wheels on an f.o.b. basis, so that purchasers absorb U.S. inland transportation costs. With respect to imported wheels, ocean freight is paid for by foreign producers, and importers incur customs duties, if any. Based on responses to purchasers questionnaires, table 34 presents data on freight costs incurred on purchases of U.S., Brazilian, and Japanese disc wheels by all firms during the period 1985-86. These data indicate that inland freight charges on shipments of U.S.-produced wheels can range up to *** per wheel, compared with a maximum of *** for Brazilian wheels and *** for Japanese wheels. On a weighted-average basis, transport charges on U.S.-produced wheels averaged *** per wheel, compared with *** for shipments of Brazilian wheels and *** for shipments of Japanese wheels. When expressed as a proportion of delivered price, freight charges averaged about *** percent of delivered price, regardless of whether the wheels were of U.S., Brazilian, or Japanese origin.

Table 34.--Transportation costs on tubeless steel disc wheels: Inland freight paid by purchasers on shipments from domestic producers and from importers during 1985-86; weighted-average freight costs per wheel and average freight charges as a proportion of delivered price

Country of origin	Total inland freight charges for TSDWs			
	Charges per wheel		Relative to price	
	Average	Maximum	Average	Maximum
			-----Percent-----	
United States	***	***	***	***
Brazil	***	***	***	***
Japan	***	***	***	***

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

1/ Meeting with ***.

Purchasers situated near coastal ports were determined to have particularly strong incentives to purchase imported wheels from the factory, based on considerations of transportation costs. These imports typically incurred inland freight charges below *** per wheel. 1/ The same customers would most likely pay *** per wheel in transport costs for truckload purchases from Budd, Accuride, and Motor Wheel.

Factors important in purchasing decisions

Price, availability, and product quality were cited as primary considerations in their procurement decisions by virtually all of the 24 purchasers that responded to the Commission's questionnaire. Other factors cited less frequently concerned credit terms, delivery time, flexibility in size of orders, liability coverage against insurance claims, and range of product line.

The importance of availability is suggested by the fact that many wheel purchasers buy from all three U.S. manufacturers. OEMs prefer to have wheel producers make bids for a percentage, rather than all, of their annual requirements. Eighteen of the 24 purchasers indicated that they encountered difficulties obtaining U.S.-produced wheels for extended periods during portions of 1984-85. Five of the 10 OEMs reported supply difficulties, whereas 13 of the 14 distributors indicated that they encountered difficulties obtaining domestic wheels during this period. 2/ One distributor stated that availability was crucial to his business because of increased competition for aftermarket sales between trailer manufacturers' service dealers and independent distributors. The distributor indicated that his company encountered difficulties obtaining supplies during late 1984 and early 1985, whereas trailer manufacturers were able to obtain all the wheels they needed and were competing in the aftermarket "unfairly." 3/ During 1984-85, tire dealers allegedly bought wheels and rims from OEM-trailer dealers because distributors could not meet their needs. This indirect OEM-trailer manufacturer competition in the aftermarket has grown since 1978, and reportedly accelerated during the period of short supply because wheel manufacturers wanted to supply these bigger customers first. 4/

Two OEMs stated that the ability of a wheel supplier to provide "just-in-time" delivery is very desirable. 5/ Most purchasers indicated that

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1/ A spokesman from one Brazilian importer stated that U.S. inland transportation costs paid by purchasers on direct shipments from the factory averaged approximately *** percent, whereas such costs for imported wheels bought f.o.b. *** warehouse averaged *** percent. Some customers waited approximately 6 months for a direct shipment from the Brazilian factory to save on U.S. inland transportation costs.

2/ One distributor, ***.

3/ June 9, 1986, interview with ***. OEMs 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 sell at or below the distributor's price.

4/ Meeting with ***.

5/ Meeting with ***. See also response of purchaser #5 in the "Lost sales and lost revenues" section.

domestic suppliers provided wheels on an average leadtime of 2 to 4 weeks. Respondents indicated that it would be highly unlikely that importers could be competitive with domestic suppliers on this basis. 1/ According to questionnaire responses, average leadtime for Brazilian wheels typically ranged from *** to *** on factory shipments. Larger and less frequent shipments of Brazilian wheels require importers and distributors to maintain 2 to 3 times the level of wheel inventories held by domestic wheel suppliers.

Several distributors were reluctant to purchase imported wheels from Brazil because of concerns over possible exposure to liability claims. 2/ Brazilian wheels are perceived to be of comparable quality, and warranted comparably, to domestic wheels. However, uncertainties over the extent to which agents representing Brazilian wheels carry insurance against liability suits, or a purchaser's capacity to sue Brazilian producers for damages, were of concern.

Other factors that affect the decision to buy imported versus domestic wheels concern the wheels themselves. One witness at the hearing testified that customers were demanding white or chrome-plated wheels. 3/ Budd Co. doesn't offer unpainted wheels and charges substantially to have them painted white. Wheels stripped of paint for plating purposes render their warranties void. Brazilian producers offer unpainted wheels to satisfy this demand.

Lost sales and lost revenues

Budd, Motor Wheel, and Accuride all indicated in their questionnaire responses that they believe that they have lost sales and have lost revenues from price reductions, because of 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 "most, if not all, sales lost to imported tubeless steel disc wheels were in the independent aftermarket channel of distribution."

*** cited 22 purchasers in 19 allegations of lost sales and 3 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. 4/ Many of these allegations, including one involving *** wheels, appear to involve annual contracts. The lost revenue allegations cover the period *** and involve *** in sales revenue lost on sales of *** wheels. In all three lost revenue allegations, the accepted quotations for U.S.-produced wheels were higher than the alleged quotations for the imported Brazilian wheels. The Commission staff was able to contact 14 of the 22 purchasers cited; a summary of their responses appears below.

Purchaser 1.--*** alleged that it lost a *** 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, ***

1/ TR, p. 147.
2/ See, for example, the response of purchaser #14 in the "Lost sales and lost revenues" section.
3/ TR, p. 119-120.
4/ The total units involved in *** alleged lost sales are *** percent of total imports from Brazil for the years 1984-85.

experienced severe problems obtaining tubeless steel disc wheels from all of its U.S. suppliers--Motor Wheel, Firestone (Accuride), and Budd Co.--because of an increase in the demand for wheels. The distributor was unable to buy any wheels from ***. The purchaser believes that *** were selling only to OEM customers during this entire period. *** put this purchaser on an allocation program that was less than 20 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. *** promised them *** wheels per month, but delivered 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 *** wheel 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 involving ***. *** alleged that, in ***, it lost a sale of *** wheels, based on an estimate of one year's receipts, 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, because of 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 for both their original equipment and aftermarket requirements. Even though they were one of ***'s best customers and were booked up to capacity, ***, their major supplier, could not meet their wheel orders. On one occasion, *** placed an order with ***, and 6 weeks later *** told *** that it would be unable to supply that order, so *** might want to take it off their books. From October-December 1984 to January-March 1985, *** 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 *** production, stating that there were approximately *** trailers built in 1984, compared to *** built in 1983.

***'s questionnaire response indicates that it began selling Brazilian wheels to its distributors/dealers during October-December 1984. The purchaser's spokesman stated that *** imports Brazilian wheels solely for its aftermarket needs, and that it would not have purchased *** wheels for its aftermarket needs because, at least in 1984 and 1985, they were too expensive. Asked if *** would consider using Brazilian wheels on its newly

produced ***, 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 ***, Budd did reduce its prices to *** by *** per wheel on approximately *** wheels after *** told Budd that they would not buy from them because ***'s prices were *** higher than the prices of the other U.S. producers. *** offered *** 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 ***. The spokesman stated that ***, *** 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 because of lower prices of Brazilian wheels as Brazilian wheels are not approved for use on their ***. Apparently, their engineers have not approved them for use because of 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 OEM reported no difficulties obtaining wheels during 1984, even though it was a "record year" for the ***. The purchasing agent cited 1979 as the last year that was as good as 1984 for the ***.

Purchaser 4.--*** alleged that it had to reduce its prices by *** per wheel for approximately *** 22.5- and 24.5-inch wheels sold to ***, because of price competition from Brazilian wheels. A spokesman for the manufacturer stated that *** purchases U.S.-produced wheels from ***. 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 *** of approximately *** per wheel because these producers were competing with each other for *** business.

Purchaser 5.--*** alleged that it lost a sale of *** tubeless steel disc wheels to ***, 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 *** were higher priced than U.S. wheels and did not arrive until January 1985. The spokesman estimated that the Brazilian wheels were priced at *** per wheel, compared with *** per wheel from ***. In ***, *** ordered *** Brazilian wheels from *** 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 *** 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 eight wheels per trailer increases the weight of ***'s trailers by 48 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 *** is developing a lighter wheel that will have a 5 pound per wheel advantage over wheels produced by the other U.S. producers and a 12 pound advantage over Brazilian wheels from ***.

***'s spokesman reported that it currently purchases U.S.-produced and Brazilian wheels, and that, as of ***, Brazilian wheels were priced at *** per wheel, and 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 contract for *** 22.5- and 24.5-inch wheels negotiated in ***. *** has never purchased Brazilian wheels and purchases U.S.-produced wheels from ***. Asked about a *** price reduction of approximately *** per wheel, the spokesman replied, "Are you talking about ***?" The spokesman stated that he has two *** proposals pending from *** standard wheels supplier for the coming year. Asked about ***, the purchaser replied that *** 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 its 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 an OEM, *** 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.

Purchaser 8.--*** cited *** in a lost sales allegation involving *** truckloads *** in a contract sale dated ***. *** purchased no Brazilian wheels during 1985, although it did purchase *** wheels in 1986 in test purchases. *** wheels directly from ***.

Purchaser 9.--*** alleged that in *** it lost a contract sale for *** wheels to *** to a competitor selling Brazilian wheels. ***, speaking for the company, indicated that *** has generally preferred to buy domestically produced wheels, although it did buy *** Brazilian wheels during 1985 when ***'s wheels were unavailable. He added that *** has purchased *** of Brazilian wheels since the domestic supply problem ended, out of consideration for ***'s help during the shortage. However, generally speaking, *** has returned to purchasing U.S.-produced wheels, having placed its most recent order for the *** product.

Purchaser 10.--*** alleged that it lost a contract sale for *** wheels to *** to Brazilian suppliers in ***. ***, a company representative, indicated that *** has traditionally purchased its wheels from ***. It buys from *** only when a customer specifically insists on *** wheels by name. In ***, *** put *** on allocation. *** offered to supply all the wheels that *** needed, if it would also purchase hubs, drums, and wheel assemblies. *** bought Brazilian wheels through ***, an importer of Brazilian wheels, but only from ***. *** also bought *** of Japanese wheels in 1987 because U.S. producers were unwilling to supply wheels painted white at a reasonable price. Since ***, *** has returned to *** to meet its wheel needs.

Purchaser 11.--*** alleged that it lost a sale of *** wheels to ***. *** indicated that *** purchased at most *** Brazilian wheels since 1985. ***. ***'s decision to buy foreign-made wheels was not made because of price, but rather over availability of supply. *** indicated that his company avoided foreign-made products because of any number of possible complications that can be encountered in the importation process.

Purchaser 12.--*** alleged that in *** it lost a sale of *** wheels to ***. ***, a partner in the firm, recalled a *** at which time *** both advised him to get out of selling tubeless steel disc wheels because of the likelihood of future supply problems. In ***, *** went to Sao Paulo for a trade show, and established a relationship with representatives of Brazilian producers. *** contends that before imports arrived, there was no competition among domestic producers.

Purchaser 13.--*** alleged that it lost a sale of *** 24.5-inch wheels to *** to a competitor supplying Brazilian wheels. ***, a spokesman for ***, indicated that in *** it bought *** wheels through ***, but he doesn't know the origin of the wheels. To the best of his recollection, *** has made no large purchases of the Brazilian product. However, *** claims that Brazilian and the newer Japanese wheels are as good as the U.S. wheels. *** discontinued purchasing wheels from ***. *** had been his only reason for buying from ***.

Purchaser 14.--*** alleged that it lost a sale of *** wheels to ***, indicated that it has only once purchased Brazilian wheels, a ***. *** indicated that *** may have lost business, but it was because domestic suppliers were unable to satisfy ***'s orders fully and were keeping prices above the foreign competition, spurring customers to buy elsewhere. *** resisted purchasing imported wheels, adding that his company prefers to buy domestic wheels because liability insurance coverage held by agents sponsoring foreign wheels may be inadequate, in spite of apparent comparability of product warranty terms.

Purchaser 15.--*** alleged that it lost a sale of *** wheels to ***. ***, although he does business with ***, he did buy *** of Brazilian wheels during 1986. However, he indicated that most of his business is ***.

Exchange rates

Until recently, Brazil has been able to generate large trade surpluses with which to service its foreign debt. 1/ Large official devaluations between mid-1982 and early 1983 reduced the real value of the cruzeiro by an estimated 30 percent relative to the dollar. Under an adjustable-peg exchange regime, frequent minidevaluations stabilized the real dollar/cruzado exchange rate after 1983 (table 35).

In February 1986, a macroeconomic stabilization program known as the Cruzado Plan was adopted to address the country's triple-digit inflation. 2/ Under the plan, wages and prices were frozen and the cruzado's value was pegged to the U.S. dollar. However, the Cruzado Plan resulted in a boom that generated renewed inflationary pressure in the second half of 1986. During this period, price controls were frequently circumvented by the use of unofficial premiums and surcharges that reduced incentives to export. 3/ Brazil's trade surpluses that had been averaging $1 billion a month nearly vanished. When price controls were relaxed in December, triple-digit (annualized) inflation returned. Until recently, however, nominal devaluation of the cruzado has lagged behind the cumulative increase in producer prices.

Upon announcement of the Cruzado Plan on February 28, 1986, the cruzado was officially valued at 13.84 cruzados per dollar. Following Brazil's return to an adjustable-peg system of exchange rates, the official value of the cruzado dropped to 17.76 cruzados per dollar by March 2, 1987. This

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1/ As of December 1986, the Brazilian public sector owed an estimated $108 billion to various foreign creditors.

2/ The Cruzado plan included redenomination of the Brazilian currency, from the cruzeiro to the cruzado.

3/ USITC, The Effect of Developing Country Debt-Servicing Problems on U.S. Trade. Publication 1950 (March 1987), p. 59.

represented a 28-percent nominal depreciation of the cruzado over the year. This compared with inflation of about 36 percent in producer prices. 1/ 2/ Given recent stability in U.S. producer prices, these figures indicate that the cruzado appreciated in real terms relative to the dollar over this period. Very recently, however, the rate of devaluation has been accelerated, causing a decline in the real value of the cruzado against the U.S. dollar. As of April 1, the nominal exchange rate was 21.96 cruzados to the dollar, bringing the cumulative depreciation of the cruzado (since February 1986) to nearly 60 percent. This contrasts with a corresponding figure for Brazilian producer price inflation of 50 percent.

Quarterly data reported by the International Monetary Fund indicate that during January 1983-March 1987 the nominal value of the Brazilian cruzado depreciated by 98.5 percent (table 35). 3/ Vastly higher levels of inflation in Brazil relative to those in the United States over the 16-quarter period moderated most of the pricing advantages gained by Brazilian exporters because of cruzado depreciation. The real value of the Brazilian cruzado, taking into account the relative movement of each country's producer prices, declined erratically from January 1983 through the third quarter of 1985, and then increased through the fourth quarter of 1986 to 12.7 percent above its value in the first quarter of 1983. During the first quarter of 1987 the real value of the cruzado dropped sharply, falling by about 10 percentage points to 2.2 percent above its January-March 1983 level.

1/ Based on monthly data (not shown).

2/ Upon the request of Commission staff, respondents submitted data on average monthly unit costs for steel and hourly wages for the two Brazilian producers of tubeless steel disc wheels. These data indicate that for the year ending Feb. 28, 1987, wages increased 53 percent, per unit steel costs increased 38 percent, and electrical power rose by 18 percent.

3/ IMF, International Financial Statistics, March 1987. Quarterly data do not describe the latest results, but are useful for presenting longer term movements.

Table 35.--U.S.-Brazilian exchange rates: 1/ Nominal-exchange-rate equivalents of the Brazilian cruzado in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Brazil, 2/ indexed by quarters, January 1983-December 1986

Period	U.S. Producer Price Index	Brazilian Producer Price Index	Nominal-exchange-rate index	Real-exchange-rate index 3/
			----US dollars/cruzado----	
1983:				
January-March.....	100.0	100.0	100.00	100.0
April-June.....	100.3	132.3	68.49	90.3
July-September.....	101.3	189.4	51.10	95.6
October-December....	101.8	266.9	37.60	98.6
1984:				
January-March.....	102.9	351.8	28.57	97.7
April-June	103.6	467.6	21.15	95.5
July-September.....	103.3	623.9	16.26	98.2
October-December....	103.0	871.7	11.93	101.0
1985:				
January-March.....	102.9	1,205.5	8.66	101.5
April-June.....	103.0	1,541.7	6.23	93.3
July-September.....	102.2	2,025.0	4.80	95.0
October-December....	102.9	2,868.1	3.62	100.9
1986:				
January-March.....	101.3	4,352.0	2.55	109.7
April-June.....	99.4	4,523.0	2.36	107.2
July-September.....	98.9	4,606.3	2.36	109.7
October-December....	99.3	4,875.3	2.29	112.7
1987:				
January-March 4/....	100.4	6,906.5	1.48	102.2

1/ Exchange rates expressed in U.S. dollars per Brazilian cruzado.
2/ Producer price indicators--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.
3/ The indexed real exchange rate represents the nominal exchange rate adjusted for the relative movement of prices as measured by producer price indices in the United States and Brazil. Over the period January 1983 through February 1987, producer prices increased by 0.4 percent in the United States and by 6,806 percent in Brazil.
4/ For this quarter, figures reflect end-of-quarter values. U.S. producer price data are for January and February only. Brazilian producer price data for January and February are from the wholesale price index compiled by Fundacion Getulio Vargas in Rio de Janeiro, and relayed to Commission staff through the U.S. Department of State. Staff projected the rate for March to be unchanged from January and February, at 10 percent.

Source: IMF, International Financial Statistics, March 1987.

Note.--January-March 1983=100.0.

APPENDIX A

THE COMMISSION'S AND COMMERCE'S FEDERAL REGISTER NOTICES

[A-351-606]

Final Determination of Sales at Less Than Fair Value: Tubeless Steel Disc Wheels From Brazil

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

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

EFFECTIVE DATE: March 20, 1987.

FOR FURTHER INFORMATION CONTACT: William Kane or Charles Wilson, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-1766 or (202) 377-5288.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that tubeless steel disc wheels from Brazil are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)). We made fair value comparisons on sales of the class or kind of merchandise to the United States by the respondents during the period of investigation, December 1, 1985 through May 31, 1986. Comparisons were based on United States price and foreign market value. Foreign market value was based on home market prices or constructed value.

The margins found for the companies investigated are listed in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On May 23, 1986, we received a petition filed in proper form from the Budd Company, on behalf of the domestic manufacturers of tubeless steel disc wheels. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of certain tubeless steel disc wheels from Brazil are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or threaten material injury to, a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We notified the ITC of our action and initiated such an investigation on June 12, 1986 (51 FR 21952, June 17, 1986). On July 7, 1986, the ITC determined that there is a reasonable indication that imports of tubeless steel disc wheels from Brazil are materially injuring a U.S. industry (51 FR 25752, July 16, 1986).

On July 9, 1986, we presented antidumping duty questionnaires to Borlem S.A.—Impreedimentos Industriais (Borlem), and FNV-Veiculos E Equipamentos S.A. (FNV). Respondents requested and received a two-week extension in which to respond. On August 18, 1986, we requested additional information from FNV. On August 25, 1986, a response was received from Borlem. On September 10, 1986, we requested additional information from Borlem.

On September 16, 1986, the petitioner alleged that Borlem was selling the subject merchandise home market at less than the cost of producing the merchandise. On September 18, 1986, we requested cost information from Borlem We received additional information from FNV on August 22, September 15 and 23, October 6, and December 5,

1986. We received additional information from Borlem on September 19, October 8 and 14, and December 5, 9 and 11, 1986. On October 9, 1986, at the request of the petitioner, we extended the date of our preliminary determination to December 19, 1986 (51 FR 37050, October 17, 1986).

On December 19, 1986, we preliminarily determined that tubeless steel disc wheels are being, or are likely to be, sold in the United States at less than fair value (51 FR 46904, December 29, 1986). During the periods January 19 through January 30, 1987, and February 9, 1987, we performed verification of the Borlem and FNV responses. On February 17, 1987, we held a public hearing. On March 2, 1987, respondents requested a postponement of the date of our final determination. On March 4, 1987, we postponed the date of our final determination until not later than March 13, 1987 (52 FR 7288, March 10, 1987).

Scope of Investigation

The products covered by this investigation are tubeless steel disc wheels designed to be mounted with pneumatic tires having a rim diameter of 22.5 inches or greater, suitable for use on class 6, 7 and 8 trucks, including tractors, and for use on semi-trailers and buses, as currently provided for under number 692.3230 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Fair Value Comparisons

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States purchase price to the foreign market value for the companies under investigation during the period December 1, 1985 through May 31, 1986.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price, since the merchandise was sold by the manufacturer to unrelated U.S. purchasers prior to importation. We calculated purchase price based on the packed, cif or c&f prices to unrelated purchasers in the United States. Where necessary, we corrected Borlem's reported prices to reflect actual prices paid. We made deductions, where appropriate, for foreign inland freight, foreign port charges, ocean freight and ocean insurance.

Foreign Market Value

In accordance with section 773(a)(2) of the Act, we used constructed value of the exported merchandise to determine foreign market value for FNV, because there were no sales of such or similar merchandise in the home market or to third countries.

As indicated in the "Case History" section of this notice, petitioner alleged that Borlem's home market sales prices were below the cost of production. During the first three months of the investigation Brazil's economy was considered to be hyperinflationary, and it was deemed to be inflationary thereafter. Therefore, we calculated a cost of production for each month during the period of investigation. Based on our investigation we determined that during the period of investigation there were sufficient sales overall at or above the cost of production for use as foreign market value. However, comparing these monthly costs to home market prices in those months, we found some months with no sales at or above the cost of production. Therefore, we based foreign market value for those months on constructed value. For those months where there were home market sales at or above the cost of production, we based foreign market value on those sales.

In accordance with current Departmental policy, we also deducted from foreign market value, where appropriate, sales taxes levied on domestic sales. We are unable to establish what the appropriate tax bases would be for the exported merchandise since it is not subject to the taxes. In the absence of knowing what the tax addition to United States price should be, we cannot calculate the differential. Therefore, as best information, we are making these adjustments by deducting these taxes from the price of the home market merchandise.

We made adjustments for differences in circumstances of sale for credit terms, in accordance with § 353.15 of our regulations. We offset commissions paid on U.S. sales with indirect selling expenses in the home market, in accordance with § 353.15(c) of our regulations. Where home market sales were used as foreign market value, we made allowances for differences in physical characteristics of the merchandise being compared, in accordance with § 353.16 of our regulations. We deducted home market packing costs and added U.S. packing costs.

Pursuant to § 353.56 of the Commerce regulations, we made currency conversions at the rates certified by the Federal Reserve Bank.

Constructed Value/Cost of Production

The constructed values and the costs of production were based on the respondents' submissions, adjusted, where appropriate.

Because of the inflation that existed in the Brazilian economy during the period of investigation, in calculating cost of production and constructed value, we used replacement value for raw materials (steel inputs) based on actual purchases in the month or, if actual purchases were not made, on the price lists provided by the respondents. The price lists establish the upper limit for material prices, as mandated by the government. Though material prices are not required to be at the ceiling, all raw material prices verified were at the rates shown on the price lists. Thus, these raw material prices represented the replacement price in each month. The prices used involved payment terms of 45 days at seven percent interest which was the usual practice in the industry.

Conversion costs were considered to be stated at replacement value due to the quarterly adjustment of labor rates, the "ORTNization" of depreciation and the monthly billing of energy, etc. Thus, we determined that these costs did not warrant any adjustment.

Interest expense, offset by interest revenues accruing from investments for operations, was included. A deduction was made to adjust such expenses for the credit expenses included as part of selling expenses. Selling expenses related to the appropriate market were included. For Borlem, home market expenses were used. Since FNV did not have home or third country sales of the same general class or kind of merchandise, U.S. selling expenses were used as a surrogate.

The monetary correction of the balance sheet, per se, was not included as part of the cost of production of tubeless disc wheels. Since the Department used replacement value for its inputs, many of those cost adjustments captured by the monetary correction have been included. We have, moreover, included as a cost of production an amount reflecting the erosion of the value of inventory and an adjustment to the financial expenses so that only the actual interest expenses are reflected.

In all cases, general expenses exceeded the statutory minimum of ten percent of materials and fabrication. Therefore, actual general expenses, adjusted to reflect the effects of inflation, were used. The statutory eight percent for profit was included because the Department could not verify home

market profit. We added U.S. packing costs.

Verification

As provided in section 776(a) of the Act, we verified all information provided by the respondents by using standards verification procedures, including on-site inspection of manufacturers' facilities, the examination of relevant sales and financial records, and selection of original source documentation containing relevant information.

Petitioner's Comments

Petitioner's Comment 1: Petitioner contends that the Department should include "monetary correction to the balance sheet" (MCBS) as a cost of production. Despite respondents' assertions to the contrary, use of replacement costs does not obviate the need for including MCBS because replacement cost relates only to the production process and raw materials, whereas MCBS relates to the companies' financial operations. As a result, an adjustment to manufacturing costs alone does not pass through to a company's operating results the full effects of inflation. The separate, non-overlapping nature of these two types of costs is demonstrated in the revised responses—when replacement costs of materials were used with no addition for MCBS, the cost of production fell.

DOC Position: We agree that the use of replacement value for the cost of production would not obviate the need for including certain aspects of the monetary correction. Therefore, while we have not included the monetary correction of the balance sheet, per se, we have included the erosion of the inventory value caused by inflation (one aspect of the adjustment). Also, we have only captured the interest expenses which do not relate to the nominal increase in loan principal amount (another adjustment which would have been captured by the monetary correction).

Petitioner's Comment 2: Petitioner argues that the Department should include short-term financial expenses in the cost of production and constructed value and, moreover, should adjust those expenses to reflect the effects of inflation.

DOC Position: We have included short-term financial expenses in the cost of production and in constructed value. However, because we have calculated the replacement cost, including an adjusted value for the materials and other inputs purchased with these funds, we have only used "real" interest costs. Thus, monetary correction of loan principal was not included.

Petitioner's Comment 3: Petitioner argues that a carrying cost of semi-finished and finished product inventory should be imputed in the Department's cost of production.

DOC Position: We disagree. The actual costs of maintaining an inventory are already included within the cost of production. These costs include such expenses as a pro-rata share of insurance costs, interest expense, cost of building, etc. The Department did not impute a separate charge for carrying inventory.

Petitioner's Comment 4: Petitioner contends that prices of materials should be based on actual prices, and not on hypothetical "at sight" prices.

DOC Position: We agree. The Department used material prices incurred by FNV in the month of shipment for FNV. For Borlem, the Department based the material prices on a price list, since Borlem did not have current purchases of steel. The price lists used by the Department were for purchases with 45 days payment terms at seven percent interest since this appeared to be the usual practice in the industry.

Petitioner's Comment 5: Petitioner argues that FNV's variances should be calculated on a monthly basis and that its average quarterly variance calculation be rejected. Petitioner further contends that the Department should deny FNV's request to normalize costs, especially if quarterly variances are accepted.

DOC Position: We disagree. The variances computed on a quarterly basis more adequately reflect the yield and variance experiences of the company than monthly variances which fluctuate widely due to differences in monthly production levels. Wide variations in production could lead to the short-term distortion of unit costs. Thus, the normalization of costs over a period of time would provide a more reliable representation of the costs.

Petitioner's Comment 6: Petitioner contends that in calculating interest income as an offset to interest expense in calculating the financial expenses of both FNV and Borlem, only interest income related to production and sale of tubeless steel disc wheels may be included.

DOC Position: We agree. The Department included only interest income related to the production of tubeless steel disc wheels as an offset to interest expense in determining the cost of production.

Petitioner's Comment 7: Petitioner contends that the Department must ensure that any administrative expenses incurred by the parent company on the part of FNV are included in that element as reported by FNV.

DOC Position: We agree. The parent company performed certain services on behalf of FNV. The department included the value of such services within the specific cost category. Services performed were generally for sales and administration related activities, and thus were included in general, selling and administrative expenses.

Petitioner's Comment 8: Petitioner contends that the Department must ensure that any relevant research and development expenses are included in the costs reported by FNV and Borlem.

DOC Position: We agree. The Department verified that all relevant costs of research and development were included in the costs of production for FNV and Borlem.

Petitioner's Comment 9: Petitioner contends that the Department must review Borlem's "provision for doubtful accounts" (in the notes to their financial statement) to ensure that any applicable portion of such accounts is included in the calculation of cost of production.

DOC Position: The Department includes within the cost of production only those expenses of accounts receivable specific to the product under investigation. We verified payments on accounts and noted that the nature of these accounts suggested no need to recognize bad debt expense in excess of expenses already included in the cost of production.

Petitioner's Comment 10: Petitioner contends that the Department must ensure that any exchange rate gains or losses are properly included in the calculation of respondents' cost of production and constructed value, and that any such amounts include monetary correction.

DOC Postition: We disagree. The department includes only the exchange gains and losses directly related to product under investigation. The Department did not include any exchange gains or losses in the cost of production for tubeless steel disc wheels since these were not related to production.

Petitioner's Comment 11: Petitioner argues that packing labor costs should be included in the cost of production.

DOC Position: We agree. The Department verified and included the costs of packing labor and materials within the cost of production.

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Respondents' Comments

Respondent's Comment 1: Respondents' argue that both monetary

correction of the balance sheet and monetary correction of loan principal must be eliminated from income statements for the Department's cost calculations.

DOC Position: See petitioner's "Comment 1."

Respondents' Comment 2: Respondents argue that the Department should adjust the steel costs to reflect their real cost to the companies. Respondents further contend the shift to replacement costs requires the adjustment of raw material costs to reflect the inflationary benefits of payment terms.

DOC Position: We agree in part. Respondents that purchase materials on fixed low rate terms accrue certain benefits. The Department considers that such benefits are a reduction in the company's overall financial needs. Thus, the company's actual interest costs are lowered as a consequence of the favorable terms related to the accounts payable. Therefore, the Department used the actual financial expenses as reflected on the company's records.

Respondents' Comment 3: Respondents argue that selling and administrative expenses, calculated as a percentage of cost of goods sold valued in historic costs, should be adjusted when applied to cost of goods sold valued in terms of replacement costs.

DOC Position: We agree. Selling and administrative expenses should be adjusted, as necessary, to reflect the use of replacement costs. The Department calculated indirect selling expenses as a percent of cost of manufacturing and used actual home market direct selling expenses for Borlem and direct U.S. selling expenses, as best information available, for FNV. Administrative expenses were computed as a percent of cost of manufacturing. The percentage of administrative expenses to cost of goods sold is a result of such expenses over a priod of time when nominal values were changing on a consistent basis for all inputs. Therefore, this percentage, when applied to replacement costs which reflect the nominal value of such costs for a month, would properly reflect the nominal value of administrative expenses for that month.

Respondents' Comment 4: Respondent FNV argues that the Department cannot use an expanded period of investigation for U.S. sales unless it considers, for purpose of foreign market value, third country sales included in such period.

DOC Position: While we included in our preliminary determination certain U.S. sales outside the investigative period until the exact of dates of sale could be confirmed, in our final calculation, we have included only sales which have been verified as occurring within the period.

Respondents' Comment 5: Respondent Borlem contends the Department must calculate the credit cost adjustment to Borlem's constructed value based on the differences between the U.S. and home market credit costs.

DOC Position: We agree. Home market credit cost calculations supplied by Borlem were expanded upon and confirmed at verification, and have been incorporated in the calculation of this adjustment.

Respondents' Comment 6: Respondent FNV argues that the Department should either ignore its sales in the period of investigation which were shipped on dates subsequent to the period for which costs were not developed, or, alternatively, apply the most contemporary verified costs to these later shipments.

Doc Position: The Department feels it cannot ignore sales made during the period of investigation simply because data relevant to those sales was not available. For these sales we have applied the most recent verified cost data available.

Respondents' Comment 7: Respondents argue that the Department should convert constructed values used as foreign market values at certified Federal Reserve rates in effect on the dates of shipment of the merchandise.

DOC Position: At the time of our preliminary determination, a pattern of long time periods between reported dates of sale and shipment indicated the likelihood that date of shipment reflected the actual date of sale. However, verification has established that all elements necessary to constitute a sale were present at the sale dates reported. Therefore, for our final determination we have converted foreign market values to U.S. dollars at the rates in effect on the verified dates of sale, in accordance with § 353.56(a) of our regulations.

Respondents' Comment 8: Respondents argue that the Department should recognize unrealized gains on holding inventory.

DOC Position: We disagree. Since the value of those inventories, measured in terms of replacement costs, did not increase at the same rate as inflation, the companies experienced a "real" loss, thus, any gain has nominal gain on inventory. We have included the real inventory holding loss as a cost of production.

Respondents' Comment 9: Respondents contend that interest costs in a replacement costs system should include only the "real" interest costs, not the inflationary interest costs. Respondents suggest that realized inventory gains offset the inflationary portion of interest costs, and the Department should include only "real" interest costs in calculating the cost of production. Respondents also argue that the Department should not impute credit expenses to constructed value based on the credit expenses for circumstances of sale adjustments.

DOC Position: We agree. Interest costs in a replacement cost system should include only the "real" interest costs, not the inflationary interest costs. The Department did not include in the financial expenses that portion of interest costs reported that related to the monetary correction of loan principal. This prevents the double counting of the inflationary effects related to financial expenses since the Department includes within the cost of production the inflationary effects of the inputs financed with these loans, such as depreciation. The interest costs were also offset by an amount related to credit expense. Since credit expense is considered a selling cost to be recovered by the prices charged in the various markets, these costs must be included. The Department includes the amount calculated for the circumstance of sale adjustment. Since this amount of credit will be deducted from the constructed value, to include a different amount in the costs would produce distorted results.

Respondents' Comment 10: Respondents argue that the Department should correct for the overstatement of packing labor costs included in selling, general and administrative costs.

DOC Position: We agree. Packing costs should include the costs for the materials and labor. When developing constructed value these costs are deducted from the cost of production prior to the determination of profit. The Act requires that the packing costs be added after the determination of the profit.

Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to continue to suspend liquidation of all entries of tubeless steel disc wheels from Brazil, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The United States Customs Service shall require a cash

deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown in the table below. This suspension will remain in effect until further notice.

Manufacturer/Producer/Exporter	Margin percentage
Bortem S.A.—Impreadimentos Industriais	15.25
FNV—Veiculos E. Equipamentos S.A.	19.99
All Others	17.99

ITC Notification

In accordance with section 735(d) of the Act, we willl notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the consent of the Deputy Assistant Secretary for Import Administration. The ITC will make its determination whether these imports materially injure, or threaten injury to, a U.S. industry within 45 days of the date of this determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled.

However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs Officers to assess an antidumping duty on tubeless steel disc wheels from Brazil entered, or withdrawn from warehouse, for consumption on or after the date of suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Paul Freedenberg,

Assistant Secretary for Import Administration.

March 13, 1987.

[FR Doc. 87-6114 Filed 3-19-87; 8:45 am]

BILLING CODE 3510-DS-M.

[A-351-606]

Tubeless Steel Disc Wheels From Brazil; Postponement of Final Antidumping Duty Determination

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: The final antidumping duty determination on tubeless steel disc wheels from Brazil is being postponed until no later than March 13, 1987.

EFFECTIVE DATE: March 10, 1987.

FOR FURTHER INFORMATION CONTACT: William D. Kane or Charles Wilson, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-1766, (202) 377-5288.

SUPPLEMENTARY INFORMATION: On December 19, 1986, we made an affirmative preliminary antidumping duty determination that tubeless steel disc wheels from Brazil are being, or are likely to be, sold in the United States at less than fair value (51 FR 46904, December 29, 1986). The notice stated that we would issue our final determination by March 4,1987.

On March 2, 1987, counsel for both respondents requested a postponement of the final determination until not later than March 13, 1987, in accordance with section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act). If exporters who account for a significant proportion of the exports of the merchandise under investigation properly request an extension after an affirmative preliminary determination, we are required, absent compelling reasons to the contrary, to grant the request. Accordingly, the period for the final determination in this case is hereby extended. We intend to issue the final determination not later than March 13, 1987.

Scope of Investigation

The products covered by this investigation are tubeless steel disc wheels, designed to be mounted with pnuematic tires, with a rim width of 22.5 inches or greater, suitable for use on class 6, 7 and 8 trucks, including buses, tractors and semi-trailers, as currently provided for under number 692.3230 of the *Tariff Schedules of the United States Annotated* (TSUSA).

This notice is published pursuant to section 735(d) of the Act.

The United States International Trade Commission is being advised of this postponement in accordance with section 735(d) of the Act.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

March 4, 1987.

[FR Doc. 87-5031 Filed 3-9-87; 8:45 am]

BILLING CODE 3510-DS-M

[Investigation No. 731-TA-335 (Final)]

Tubeless Steel Disc Wheels From Brazil

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-335 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil of tubeless steel disc wheels,[1] provided for in item

[1] Such wheels are designed to be mounted with pneumatic tires, have a rim diameter of 22.5 inches or greater, and are suitable for use on class 6, 7, and 8 trucks, including tractors, and for use on semi-trailers and buses.

692.32 of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Unless the investigation is extended, Commerce will make its final LTFV determination on or before March 4, 1987, and the Commission will make its final injury determination by April 27, 1987 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b))).

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

EFFECTIVE DATE: December 29, 1986.

FOR FURTHER INFORMATION CONTACT: Diane J. Mazur (202-523-7914), 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 as a result of an affirmative preliminary determination by the Department of Commerce that imports of tubeless steel disc wheels from Brazil are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigation was requested in a petition filed on May 23, 1986, by the Wheel and Brake Division of the Budd Company, Troy, Michigan. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (51 FR 25752, July 16, 1986).

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 twenty-one (21) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who 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.

Staff Report

A public version of the prehearing staff report in this investigation will be placed in the public record on March 9, 1987, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing

The Commission will hold a hearing in connection with this investigation beginning at 9:30 a.m. on March 24, 1987, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on March 9, 1987. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on March 12, 1987, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is March 19, 1987.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be sumbitted at least three (3) working days prior to the hearing (see § 201.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2)).

Written Submissions

All legal arguments, economic analyses, and factual materials relevant to the puublic hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on March 31, 1987. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before March 31, 1987.

A signed original and fourteen (14) copies of each submissions must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's 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 § 201.6 of the Commission's rules (19 CFR 201.6)

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: January 15, 1987.

By order of the Commission

Kenneth R. Mason,

Secretary.

[FR Doc. 87-1394 Filed 1-21-87 8:45 am]

BILLING CODE 7020-02-M

[A-351-606]

Preliminary Determination of Sales at Less Than Fair Value; Tubeless Steel Disc Wheels From Brazil

AGENCY: Import Administration, International Trade Administration, commerce.

ACTION: Notice.

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

If this investigation proceeds normally, we will make our final determination by March 4, 1987.

EFFECTIVE DATE: December 29, 1986.

FOR FURTHER INFORMATION CONTACT: William D. Kane or Charles E. Wilson, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202)377-1766 or (202)377-5288.

Preliminary Determination

We have preliminarily determined that tubeless steel disc wheels from Brazil are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733(b) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673b(b)). We made fair value comparisons on sales of the class or kind of merchandise to the United States during the period of investigation, December 1, 1985, through May 31, 1986. Comparisons were based on United States price and foreign market value, based on the constructed value of the merchandise provided by the respondents. The weighted-average margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

On May 23, 1986, we received a petition filed in proper form from the Budd Company, on behalf of the domestic manufacturers of tubeless steel disc wheels. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of certain tubeless steel disc wheels from Brazil are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or threaten material injury to, a United States industry. After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We notified the ITC of our action and initiated such an investigation on June 12, 1986 (51 FR

21952, June 17, 1986). On July 7, 1986, the ITC determined that there is a reasonable indication that imports of tubeless steel disc wheels from Brazil are materially injuring a U.S. industry (51 FR 25752, July 16, 1986).

On July 9, 1986, we presented antidumping duty questionnaires to Borlem S.A.-Impreedimentos Industrias (Borlem), and FNV-Veiculos E Equipamentos S.A. (FNV). Respondents were requested to answer the questionnaire in 30 days. On August 11, 1986, we received a response from FNV. Borlem requsted and received a two-week extension in which to respond. On August 18, 1986, we requested additional information from FNV. On August 25, 1986, a response was received from Borlem. On September 10, 1986, we requested additional information from Borlem. On September 16, 1986, the petitioner alleged that Borlem was selling in their home market at less than the cost of producing the merchandise. On September 18, 1986, we requested cost information from Borlem. We received additional information from FNV on August 22, September 15 and 23, October 6, and December 5, 1986. We received additional information from Borlem on September 19, October 8 and 14, and December 5, 9 and 11, 1986. On October 9, 1986, at the request of the petitioner, we extended the date of our preliminary determination to December 19, 1986 (51 FR 37050, October 17, 1986).

Scope of Investigation

The products covered by this investigation are tubeless steel disc wheels, designed to be mounted with pneumatic tires, with a rim width diameter of 22.5 inches or greater, suitable for use on class 6, 7 and 8 trucks, including buses, tractors and semi-trailers, as currently provided for under number 692.3230 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Fair Value Comparisons

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States purchase price to the foreign market value for the companies under investigation using data provided in the responses. We investigated sales of tubeless steel disc wheels sold during the period December 1, 1985, through May 31, 1986.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent United States price, since the merchandise was sold to unrelated U.S. purchasers prior to importation. We calculated purchase price based on the packed, CIF or C&F prices to unrelated purchasers in the United States. Where necessary, we corrected Borlem's reported prices to reflect actual prices paid. We made deductions, where appropriate, for foreign inland freight, foreign port charges, ocean freight and ocean insurance.

Foreign Market Value

In accordance with section 773(a)(2) of the Act, we used the constructed value of the exported merchandise to determine foreign market value for FNV, because there were no sales of such or similar merchandise in the home market or to third countries. In accordance with section 773(b) of the Act, we used the constructed value of the exported merchandise to determine foreign market value for Borlem, because sales in the home market were found to be made at prices below the cost of producing the merchandise for an extended period of time, in substantial quantities which would not permit recovery of all costs within a reasonable period of time in the normal course of trade. We made adjustments, where appropriate, for differences in credit costs and for selling expenses as an offset to U.S. sales commissions.

Pursuant to § 353.56 of the Commerce regulations, we made currency conversions at the rates certified by the Federal Reserve Bank.

Constructed Value/Cost of Production

For Borlem's cost of production and for constructed value the Department relied upon the respondent's submissions and made adjustments when costs were not included or not appropriately valued in accordance with the Department's methodology. The following adjustments were made:

(1) For constructed value purposes, we used costs associated with the month closest to the month of export of the merchandise, because the merchandise is produced according to shipment schedules. Direct home market selling expenses were included in constructed value for the months of December 1985–May 1986. Because the submissions did not include home market selling expenses for the month of June, U.S. direct selling expenses were used as a surrogate. Therefore, for constructed value purposes, "circumstance of sale" adjustments were made for all months except June because U.S. direct selling expenses were utilized.

(2) Short-term financial expenses were included. This amount was an estimate derived from the interest expense reflected on the respondent's financial statements which was then adjusted to account for the long-term interest expenses and credit expenses.

(3) The "monetary correction," made by the company at the end of February 1986 to its financial results to account for the full effects of inflation for the period, was not included. Since replacement costs were used for the cost of production and detailed data needed to adjust the monetary correction to account for the effects of the use of replacement costs was not available, the Department did not include the monetary correction.

For FNV, the Department calculated the constructed value based on the respondent's submission and made adjustments when the costs did not appear to include or value appropriately such costs in accordance with the Department's methodology.

Therefore, the Department made the following adjustments:

(1) The long-term interest expenses, indirect selling expense and administrative expenses were calculated in the response as a percentage of sales revenue. This percentage was then applied to the costs of manufacturing. The Department recalculated the expenses as a percentage of costs of sales, so that the percentage was derived from the base to which it was applied.

(2) Short-term financial expenses were included. This amount was based on an estimate derived from the respondent's interest expense from the financial statements and was adjusted to account for long term interest expenses and credit expenses.

(3) Direct home market selling expenses were included in the constructed value.

(4) The "monetary correction" made by the company at the end of February 1986 to these financial results to account for the full effects of inflation, was not included in the constructed value. Since replacement costs were used for the cost of production and detailed data needed to adjust the monetary correction to account for the effects of the use of replacement costs was not available, the Department did not include the monetary correction.

Verification

We will verify all information used in making our final determination in accordance with section 776(a) of the Act. We will use standard verification procedures, including examination of relevant sales and financial records of the companies under investigation.

Suspension of Liquidation

In accordance with section 773(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of tubeless steel disc wheels from Brazil that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The U.S. Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amounts by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown in the table below. The suspension of liquidation will remain in effect until further notice.

Manufacturer/producer/exporter	Margin percentage
Borlem	24.85
FNV	5.75
All others	11.28

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information either publicly or under administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a United States industry, before the later of 120 days after our preliminary affirmative determination or 45 days after our final determination.

Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 1:00 p.m., on February 18, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary, Import Administration, Room B-099, at the above address within 10 days of this notice's publication.

Requests should contain: (1) The party's name, address and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by February 9, 1987. Oral presentation will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within 30 days of publication of this notice, at the above address in at least 10 copies.

This determination is published pursuant to section 733(f) of the Act (19 U.S.C. 1673(f)).

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

December 19, 1986

[FR Doc. 86-29039 Filed 12-24-86; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Tubeless Steel Disc Wheels from Brazil

Inv. No. : 731-TA-335 (Final)

Date and time: March 24, 1987 - 9:30 a.m.

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

In support of the imposition of antidumping duties:

Barnes, Richardson & Colburn--Counsel
Washington, D.C.
on behalf of

The Budd Company, Wheel and Brake Division

Herman Foster, Associate General Counsel, The Budd Company

George J. Schuster, President

Neily J. Wagner, Manager, Product Planning and Market Research

Arlin Miller, Manager, Freeway Motor Parts

Bruce Reinhart, President, United Auto Workers--Local 1886

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

- more -

In opposition to the imposition of antidumping duties:

Willkie, Farr & Gallagher--Counsel
Washington, D.C.
on behalf of

Borlem S.A.--Empreendimentos Industriais and FNV--Veiculos e Equipamentos S.A.

David Strickland, President, Maintenance Management, Inc.

Harry W. Wilk, III, President, Reliable Transportation Components, Inc.

William H. Barringer)
Robert A. Peterson)--OF COUNSEL

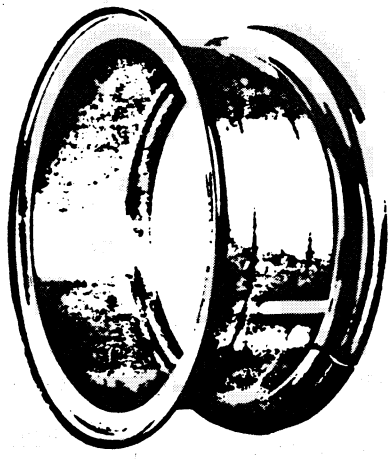
APPENDIX C

TYPES OF WHEELS

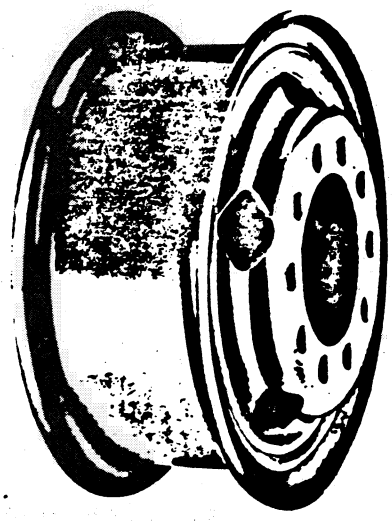
RIM The rim supports the tire. There are two types of rims: a single-piece rim (tubeless — some 16 inch single-piece rims are either tubeless or tube-type) and the multi-piece rim (tube-type). The SINGLE-PIECE RIM is a continuous one-piece assembly. The MULTI-PIECE RIM is an assembly consisting of a base and either a side ring or a side and lock ring depending on type. A DEMOUNTABLE RIM does not have a center disc and is clamped onto a cast spoke wheel.

DISC WHEEL A combination of a rim and a disc permanently attached to the rim and attached to the hub by studs and nuts.

Tubeless Demountable Rim (Single-piece)



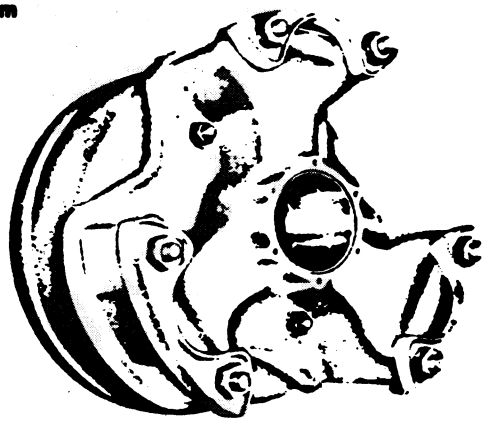
Tube-Type Demountable Rim (Multi-piece)



Tube-Type Disc Rim

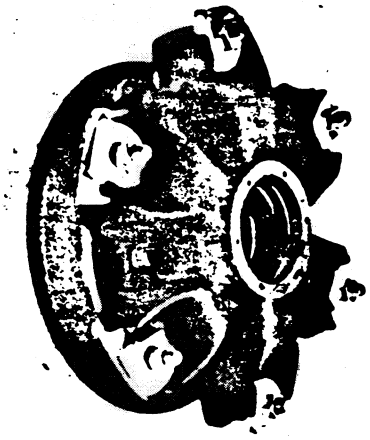
CAST SPOKE WHEEL

As the name implies, it consists of a casting which includes the hub and either 3, 5, or 6 spokes. This is an axle component that demountable rims are attached to with clamps. There are designs with different numbers of clamps with various shapes. Each cast spoke wheel requires clamps designed for the cast spoke wheel. Spacer bands are used with duals on rear cast spoke wheels. Typical designs are shown.



3 Spoke Wheel with Drum and Attaching Parts. (For Rear Axles)

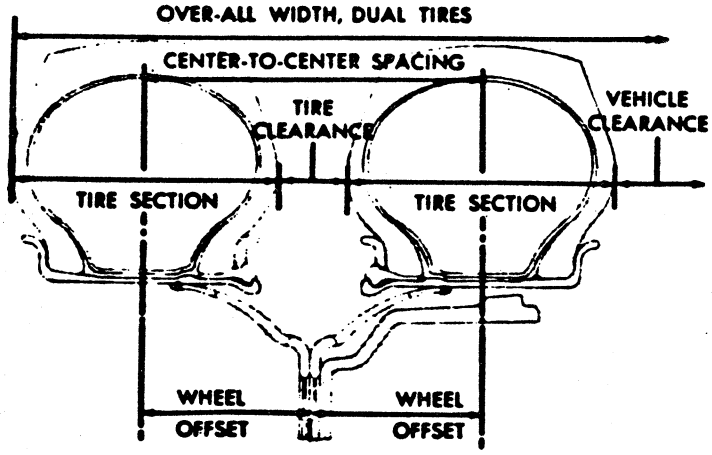
5 Spoke Cast Wheel without Drum (For Rear Axles)

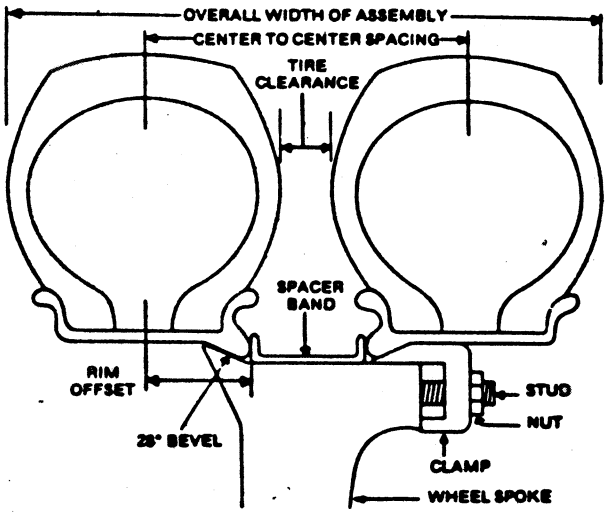


6 Spoke Wheel with Drum and Attaching Parts for Front Axle.

OFFSET

Disc Wheels: The offset is the distance from the rim center line to the mounting surface of the disc.
Rims: The offset is the distance from the center line of the rim to the tip of the 28° bevel.



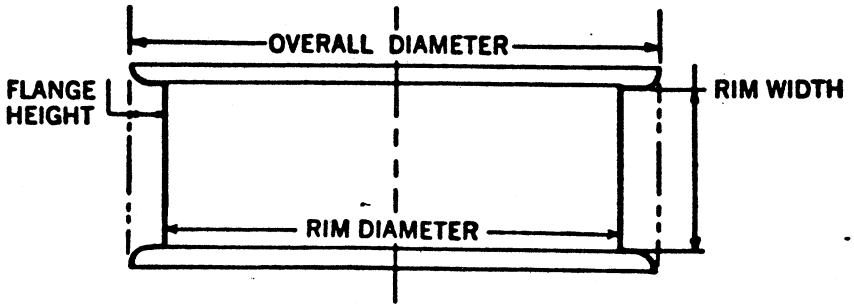


WHEEL AND RIM MEASUREMENTS

Wheels and rims are identified by a number of measurements as follows:

RIMS:

RIM WIDTH is the measurement on the inside of the rim between the two flanges.
RIM DIAMETER is measured between the base of the flange and a corresponding position diametrically opposite.
FLANGE HEIGHT is measured from the base of the flange vertically to its top. An alternative method is to take the overall diameter of the rim, minus the nominal rim diameter divided by 2.



DISC WHEELS:

RIM MEASUREMENTS (See above)
NUMBER OF BOLT HOLES
(A) BOLT CIRCLE is the diameter of the circle that cuts through the center of the bolt mounting holes.
(B) CENTER BORE DIAMETER
(C) BOLT HOLE DIAMETER
OFFSET (Defined on preceding page)