

Specimen 2583

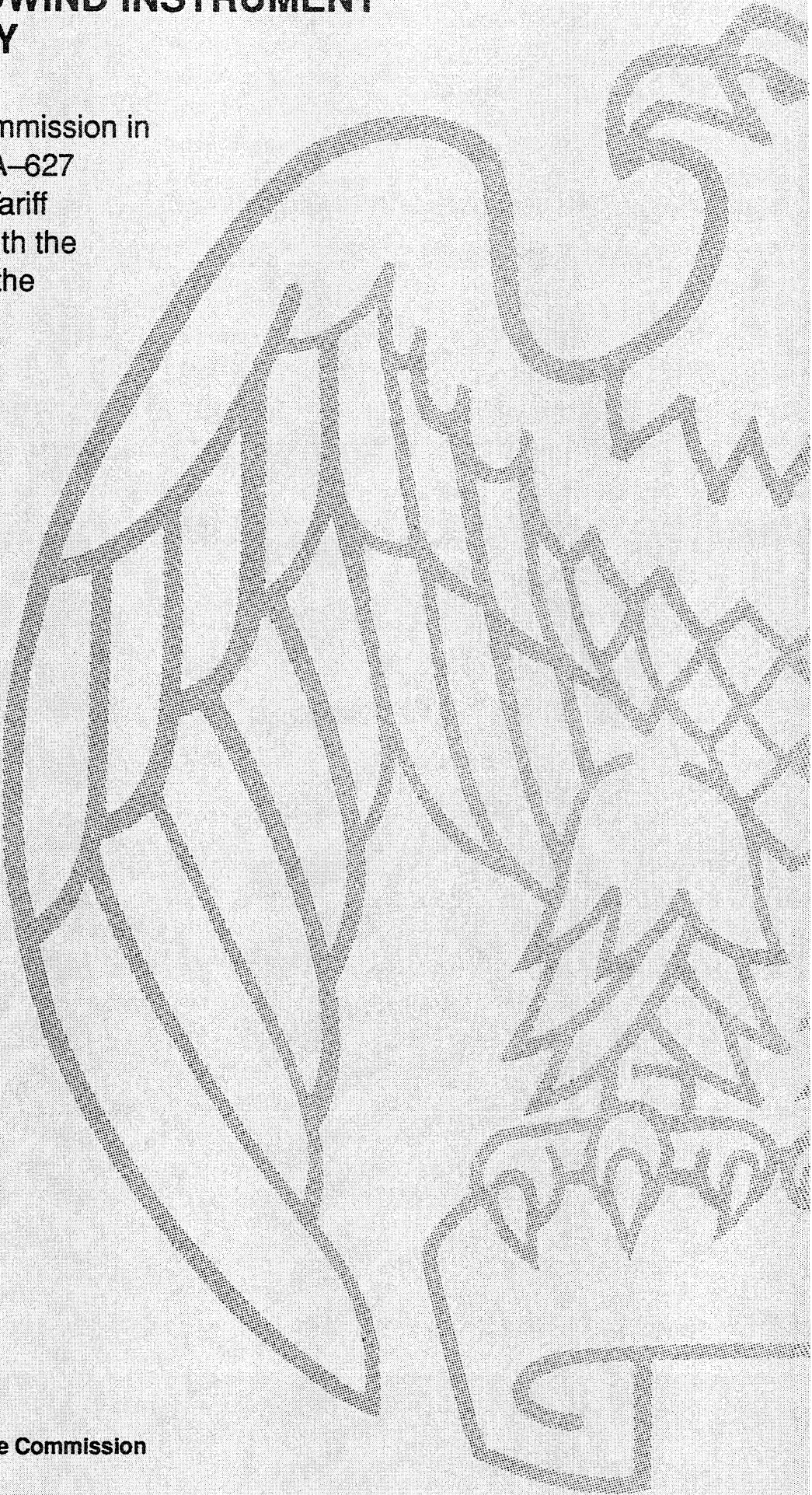
PADS FOR WOODWIND INSTRUMENT KEYS FROM ITALY

Determination of the Commission in
Investigation No. 731-TA-627
(Preliminary) Under the Tariff
Act of 1930, Together With the
Information Obtained in the
Investigation.

USITC PUBLICATION 2583

DECEMBER 1992

**United States International Trade Commission
Washington, DC 20436**



UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Don E. Newquist, Chairman

Peter S. Watson, Vice Chairman

David B. Rohr

Anne E. Brunsdale

Carol T. Crawford

Janet A. Nuzum

Robert A. Rogowsky,
Director of Operations

Staff assigned:

Woodley Timberlake, Investigator

Richardo Witherspoon, Industry Analyst

Linda Linkins, Economist

John Ascienzo, Accountant/Auditor

Rhonda Hughes, Attorney

Robert Einger, Supervisory Investigator

**Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436**

CONTENTS

	<u>Page</u>
Determination	1
Views of the Commission	3
Additional views of Chairman Don E. Newquist and Commissioner David B. Rohr	17
Information obtained in the investigation	I-1
Introduction	I-3
Previous investigations and outstanding antidumping duty orders	I-3
Nature and extent of alleged sales at LTFV	I-5
The products	I-5
Description and uses	I-5
U.S. tariff treatment	I-6
The U.S. market	I-7
U.S. producers	I-7
U.S. importers	I-7
Apparent U.S. consumption	I-8
Channels of distribution	I-10
Consideration of alleged material injury	I-10
U.S. production, capacity, and capacity utilization	I-10
U.S. producers' shipments	I-12
U.S. shipments	I-12
Exports	I-13
U.S. producers' inventories	I-13
Employment, wages, and productivity	I-14
Financial experience of U.S. producers	I-15
Investment in productive facilities and net return on assets	I-17
Capital expenditures	I-17
Research and development expenses	I-17
Capital and investment	I-18
Consideration of the question of threat of material injury	I-18
U.S. importers' inventories	I-20
Ability of foreign producers to generate exports and the availability of export markets other than the United States	I-20
Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury	I-22
U.S. imports	I-22
Market penetration of imports	I-23
Pricing and marketing considerations	I-25
Questionnaire price data	I-27
Price trends	I-28
Sales to OEMs	I-28
Sales to distributors	I-28
Sales to other customers	I-30
Unit value comparisons	I-30
Lost sales and revenues	I-30
Exchange rates	I-32

CONTENTS

	<u>Page</u>
Appendices	
A. The Commission's and Commerce's <u>Federal Register</u> notices	A-1
B. List of participants in the public conference	B-1
C. Summary data concerning the U.S. market	C-1
D. Comments received from U.S. producers on the impact of imports of pads for woodwind instrument keys from Italy on their growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product . . .	D-1
 Tables	
1. Pads for woodwind instrument keys: Current U.S. producers, location of production facility, position on the petition, and share of production in 1991	I-8
2. Pads for woodwind instrument keys: U.S. producers' U.S. shipments, exports to the United States by Luciano Pisoni, U.S. imports for consumption from all other sources, and apparent U.S. consumption, by types, 1989-91, January-June 1991, and January-June 1992	I-9
3. Pads (bladder and leather) for woodwind instrument keys: U.S. producers' average-of-period capacity, production, and capacity utilization, by firms, 1989-91, January-June 1991, and January-June 1992	I-11
4. Bladder pads for woodwind instrument keys: U.S. producers' average-of-period capacity, production, and capacity utilization, by firms, 1989-91, January-June 1991, and January-June 1992	I-11
5. Leather pads for woodwind instrument keys: U.S. producers' average-of-period capacity, production, and capacity utilization, by firms, 1989-91, January-June 1991, and January-June 1992	I-12
6. Pads (bladder and leather) for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), by firms, 1989-91, January-June 1991, and January-June 1992	I-12
7. Bladder pads for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), by firms, 1989-91, January-June 1991, and January-June 1992	I-13
8. Leather pads for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), by firms, 1989-91, January-June 1991, and January-June 1992	I-13
9. Pads for woodwind instrument keys: U.S. producers' inventories and ratio to production, by types and by firms, 1989-91, January-June 1991, and January-June 1992	I-14

CONTENTS

	<u>Page</u>
Tables--Continued	
10. Pads for woodwind instrument keys: Prestini's average number of production and related workers, hours worked, wages and total compensation paid to such workers, and productivity and unit labor costs, by types, 1989-91, January-June 1991, and January-June 1992	I-15
11. Income and loss experience of Prestini on its instrument key pads, fiscal years 1989-91, January-June 1991, and January-June 1992	I-16
12. Value of Prestini's assets and return on assets as of December 31, 1989-91, June 30, 1991, and June 30, 1992	I-17
13. Prestini's capital expenditures, fiscal years 1989-91, January-June 1991, and January-June 1992	I-17
14. Pads (bladder and leather) for woodwind instrument keys: Italy's capacity, production, inventories, capacity utilization, and shipments, 1989-91, January-June 1991, January-June 1992, and projected 1992-93	I-21
15. Pads (bladder and leather) for woodwind instrument keys: Pisoni's capacity, production, inventories, capacity utilization, and shipments, 1989-91, January-June 1991, January-June 1992, and projected 1992-93	I-21
16. Pads for woodwind instrument keys: U.S. imports by sources and by types, 1989-91, January-June 1991, and January-June 1992	I-23
17. Pads (bladder and leather) for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), imports for consumption, and apparent U.S. consumption, 1989-91, January-June 1991, and January-June 1992	I-24
18. Bladder pads for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), imports for consumption, and apparent U.S. consumption, 1989-91, January-June 1991, and January-June 1992	I-24
19. Leather pads for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), imports for consumption, and apparent U.S. consumption, 1989-91, January-June 1991, and January-June 1992	I-25
20. Pads for woodwind instrument keys: U.S. producer's and importer's average unit values and quantities of sales to OEMs, by products and by quarters, January 1989-June 1992	I-29
21. Pads for woodwind instrument keys: U.S. producer's and importer's average unit values and quantities of sales to distributors, by products and by quarters, January 1989-June 1992	I-29

CONTENTS

	<u>Page</u>
Tables--Continued	
22. Pads for woodwind instrument keys: U.S. producer's average unit values and quantities of sales to all other customers, by products and by quarters, January 1989-June 1992	I-31
23. Pads for woodwind instrument keys: Margins of under/(over)-selling for unit values of sales to OEMs and sales to distributors, by products and by quarters, January 1989-June 1992	I-31
24. Exchange rates: Indexes of nominal and real exchange rates of the Italian lira and indexes of producer prices in the United States and Italy, by quarters, January 1989-September 1992	I-33
C-1. Pads (bladder and leather) for woodwind instrument keys: Summary data concerning the U.S. market, 1989-91, January-June 1991, and January-June 1992	C-2

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-627 (Preliminary)

PADS FOR WOODWIND INSTRUMENT KEYS FROM ITALY

Determination

On the basis of the record¹ developed in the subject investigation, the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Italy of pads for woodwind instrument keys, provided for in subheading 9209.99.40 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).²

Background

On October 21, 1992, a petition was filed with the Commission and the Department of Commerce by Prestini Musical Instruments Corp., Nogales, AZ, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of pads for woodwind instrument keys from Italy. Accordingly, effective October 21, 1992, the Commission instituted antidumping investigation No. 731-TA-627 (Preliminary).

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

² As defined by the Department of Commerce, "The products covered by this investigation are pads for woodwind instrument keys, which are manufactured by Pisoni."

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 29, 1992 (57 F.R. 49097). The conference was held in Washington, DC, on November 12, 1992, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION¹

Based on the record in this preliminary investigation, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of pads for woodwind instrument keys from Italy that are alleged to be sold at less than fair value (LTFV).²

I. The Legal Standard for Preliminary Determinations

The legal standard in preliminary antidumping investigations requires the Commission to determine, based on the best information available at the time of the preliminary determination, whether there is a reasonable indication of material injury or threat thereof to a domestic industry by reason of the imports under investigation.³ In this investigation, the Commission considered whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."⁴ The U.S. Court of Appeals for the Federal Circuit has held that this interpretation of the standard "accords with clearly discernible legislative intent and is sufficiently reasonable."⁵

¹ Chairman Newquist and Commissioner Rohr also find a reasonable indication of material injury. See their views infra.

² 19 U.S.C. § 1673b(a). Material retardation of the establishment of an industry is not an issue in this investigation.

³ Id.

⁴ See American Lamb Co. v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986). Recently, the Court of International Trade interpreted American Lamb to affirm "the Commission's practice of reaching a negative preliminary determination of injury only when" these two factors are met. Torrington Co. v. United States, 790 F. Supp. 1161, 1165 (Ct. Int'l Trade 1992).

⁵ American Lamb, 785 F.2d at 1004.

II. Like Product and Domestic Industry

A. Background

To determine whether a domestic industry is materially injured or threatened with material injury by reason of the subject imports, the Commission must first define the "like product" and the "industry." Section 771(4)(A) of the Tariff Act of 1930 (the "Act") defines the relevant domestic industry as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product,"⁶ In turn, section 771(10) of the Act defines "like product" 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."⁷

The Department of Commerce defined the class or kind of imported merchandise subject to this investigation as "pads for woodwind instrument keys, which are manufactured by Pisoni."⁸

⁶ 19 U.S.C. § 1677(4)(A).

⁷ Id. § 1677(10).

⁸ Initiation of Antidumping Duty Investigation; Pads for Woodwind Instrument Keys From Italy Manufactured by Luciano Pisoni Accessori Strumenti Musicali A Fiato, 57 Fed. Reg. 54,220, 54,220-21 (Nov. 17, 1992).

The Commission has previously investigated imports of pads for woodwind instrument keys from Italy. See Pads for Woodwind Instrument Keys from Italy, Invs. Nos. 701-TA-203 and 731-TA-152, USITC Pub. 1466 (Dec. 1983) & USITC Pub. 1566 (Aug. 1984). As a result of the antidumping investigations, an outstanding antidumping duty order is in existence. See 49 Fed. Reg. 37,137 (Sept. 21, 1984). In the prior investigations, the Commission determined that there were two like products -- bladder pads and leather pads -- based on the fact that bladder and leather pads are made primarily for separate instruments, are composed of different raw materials and have different costs and prices. USITC Pub. 1466, at 5; USITC Pub. 1566, at 3. Chairman Newquist, Vice Chairman Watson, and Commissioners Brunsdale, Crawford, and Nuzum did not participate in the prior investigations because they were not members of the

(continued...)

Pads for woodwind instrument keys are thin felt discs backed with cardboard or paper and covered with a fine layer of gut (lamb or cow bladder) or leather. Pads may also be made entirely of cork, plastic or other synthetic material, although usage of pads made from such materials is quite limited. The function of a pad for a woodwind instrument is to form an airtight closure over the tone holes in the instrument. Pads are glued or shellacked into pad cups on the inner side of the instrument keys and cover or uncover the tone holes as the keys are pressed and released.⁹

Pads are purchased principally by woodwind instrument manufacturers, distributors, and instrument technicians and repairers. Pads may be ordered with a certain type of edge (straight or beveled) and with resonators (metal or plastic discs attached to the front of the pads to enhance tone quality). The purchaser may also specify the shape of the resonator (flat, curved or convex).¹⁰

B. Like Product Analysis

The Commission's like product determinations are factual and the Commission applies, on a case-by-case basis, the statutory standard of "like" or "most similar in characteristics and uses."¹¹ In this investigation, we

⁸ (...continued)
Commission at that time.

⁹ Report at I-5.

¹⁰ Id. at I-6.

¹¹ Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 & n.5 (Ct. Int'l Trade 1988). In analyzing which domestic products are "like" the class or kind of imported articles subject to investigation, the Commission considers factors including: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) customer and producer perceptions of the products,

(continued...)

have considered whether there should be a single like product that includes all pads for woodwind instrument keys, or whether there should be two like products: bladder pads and leather pads. For this preliminary investigation, we determine that there is one like product.

We note that most pads consist of a layer of felt, backed with cardboard or paper, and then covered with lamb or cow gut (bladder) or with leather.¹² Specifications for pads vary according to the type and model of woodwind instrument. They differ further according to the softness or hardness of the felt and by the thickness of the cover.¹³ The manufacturing process for the various pads -- whether made with leather or bladder covers -- is basically the same,¹⁴ and pads for the various woodwind instruments are made in the same manufacturing facilities by the same employees.¹⁵ The channels of

¹¹ (...continued)

(5) common manufacturing facilities and production employees, and, when appropriate, (6) price. No single factor is dispositive and the Commission may consider other factors it deems relevant based upon the facts of a particular investigation. Generally, the Commission requires clear dividing lines among possible like products and disregards minor variations among them. See Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991).

¹² Report at I-5.

¹³ Id. at I-5 - I-6.

¹⁴ See id. at I-6. Pad covers, felt discs and cardboard backs are stamped from sheets, either by hand or by presses. The pad cover is centered over an opening in a mold and the felt disc is pressed into the opening. If a cardboard backing is used, it is applied at this point. A small pick-like tool is used to fold the edges of the covering over the backing and the pick is then used to pluck the pad from the mold. If a resonator is used, the pad is drilled through the center and the resonator is positioned and fastened. Id.

¹⁵ Tr. at 65.

distribution for the various pads are the same.¹⁶ Pads for different instruments are not interchangeable. There also appears to be limited interchangeability between bladder- and leather-covered pads.¹⁷ There is some variation in price among the pads for different instruments.¹⁸ Price differences and limited interchangeability suggest that customers and producers perceive some differences among the various types of pads.

Weighing all the differences and similarities among pads, we are unable to find a clear dividing line based either on material used for the cover -- leather or bladder -- or on other distinguishing characteristics such as size or instrument type. On the basis of the limited information in this preliminary investigation, we therefore find that there is one like product. However, we urge the parties to address this issue in detail in any final investigation. In particular, the parties should address the distinctions between leather- and bladder-covered pads.¹⁹

C. Domestic Industry

In this preliminary investigation, respondents argued that sufficient information has not been presented to determine whether petitioner is a domestic producer of instrument pads.²⁰ Respondents asserted that petitioner

¹⁶ See Report at I-10. Pads are purchased principally by woodwind instrument manufacturers, distributors and instrument technicians and repairers. Id. at I-9, I-10.

¹⁷ Tr. at 67, 68, 135-36.

¹⁸ Id. at 66.

¹⁹ Commissioner Crawford instructs the parties in any final investigation to address demand side substitutability between bladder and leather pads, particularly with respect to customer perceptions of interchangeability.

²⁰ Respondents' Post-Conference Brief at 10. In determining whether a firm qualifies as a domestic producer, the Commission examines such factors as:

(continued...)

may be a foreign manufacturer because of allegations in the record that most of its pads are made in Mexico and that it only maintains an office in the United States.²¹ Moreover, respondents asserted that it is not clear whether petitioner is a Mexican or an American company.²²

For the purposes of this preliminary investigation, we determine that a domestic industry does exist in the United States. Petitioner accounts for the bulk of all domestic production of pads.²³ Although petitioner owned and operated an assembly plant in Mexico from 1989 to 1991, it appears from the limited information in the record that only certain assembly operations took place there. That is, Mexican workers glued together felt, cardboard, and

²⁰ (...continued)

(1) the extent and source of a firm's capital investment; (2) the technical expertise involved in the U.S. production activity; (3) the value added to the product in the United States; (4) employment levels; and (5) any other costs and activities in the United States directly leading to production of the like product, including where production decisions are made. No single factor is determinative and value added information is more meaningful when other indicia of production activity are taken into account. The Commission may consider other factors deemed relevant in light of the particular investigation. See Dry Film Photoresist from Japan, Inv. No. 731-TA-622 (Preliminary), USITC Pub. 2555 (Aug. 1992), at 14-15.

Respondents also raised an issue with respect to whether petitioner represents 50 percent of the total domestic production of pads or has the support of enough domestic manufacturers to account for 50 percent of total domestic production. Respondents' Post-Conference Brief at 10. Based on the record, petitioner does represent over 50 percent of the domestic industry. Report at I-8, Table 1. The Commission's practice has been to defer to the Department of Commerce to make standing determinations. This practice has been upheld by the U.S. Court of Appeals for the Federal Circuit. Suramerica de Aleaciones Laminadas, C.A. v. United States, 966 F.2d 660, 665 n.6 (Fed. Cir. 1992).

²¹ Respondents' Post-Conference Brief at 11.

²² Tr. at 89. In the 1984 final investigation of pads for woodwind instrument keys from Italy, the issue of whether a domestic industry existed was also raised. The Commission determined that a domestic industry did exist in the United States. USITC Pub. 1566, at 4.

²³ Report at I-7.

bladder and/or leather from the United States which were then shipped back to the United States for final punching, sizing, fitting with resonators, and packaging.²⁴ Thus, it seems that the majority of assembly and other operations, at least in terms of technical expertise, occurred in the United States,²⁵ and the domestic facility, which appears to be petitioner's headquarters, is still operative. The record shows that the majority of petitioner's total manufacturing costs and total operating costs were in the United States.²⁶ However, in any final investigation we will expect the parties to provide additional evidence in support of their positions.

III. Conditions of Competition in the Domestic Industry

Contrary to the parties' assertions, apparent consumption increased over the period of investigation, in terms of both quantity and value.²⁷ The demand for pads is affected by sales of new woodwind instruments and by repairs to and refurbishment of existing instruments.²⁸ Macroeconomic conditions and changes in school budgets and school-age population fluctuations also contribute to variations in demand.²⁹ The primary channels of distribution are original equipment manufacturers (OEMs), distributors/

²⁴ Id. at I-8, Table 1 n.1.

²⁵ See id. at I-15, I-16.

²⁶ Id.

²⁷ Id. at I-9; id., Table 2.

²⁸ Id. at I-9.

²⁹ Id. at I-25.

wholesalers and musical instrument dealers/retailers.³⁰ Pads account for approximately three percent or less of the total cost of a new woodwind instrument and approximately six percent of the total cost of a refurbished instrument.³¹ As a result, demand does not appear to be very responsive to changes in the price of pads.

Based on the current record, it appears that there may be differences in quality between the imported pads and those produced by petitioner. Product quality is very important because it affects the action and sound of the completed woodwind instrument.³² The record contains statements by purchasers, especially instrument manufacturers, that they stopped purchasing pads from petitioner because of problems with the quality of its product, including the consistency of the pads, and problems with invoicing and delivery times.³³ On the other hand, petitioner claimed that its pads meet the specifications of "the most demanding New York repairmen, the largest distributors and domestic manufacturers, and foreign manufacturers and distributors from Czechoslovakia to Taiwan and Japan."³⁴ We also note that export sales increased significantly during the period of investigation, which may be inconsistent with the suggestion that there are significant quality differences between domestic and Italian pads.³⁵ We intend to explore the

³⁰ Id. at I-10.

³¹ Id. at I-25.

³² Id. at I-25 - I-26.

³³ Id. at I-31 - I-32.

³⁴ Petitioner's Post-Conference Brief at 3.

³⁵ Report at I-9, Table 2; C-2, Table C-1.

alleged differences in quality and the importance of quality differences in greater detail in any final investigation.

IV. Reasonable Indication of Material Injury by Reason of Allegedly LTFV Imports

A. Volume of the Subject Imports

In making its preliminary determination of injury, the Commission is to consider the volume of the subject imports.³⁶ In evaluating the volume, the Commission is required to "consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."³⁷

The volume of respondent-producer's exports to the United States increased steadily, both absolutely and relative to the value of apparent domestic consumption.³⁸ These exports constituted over half of domestic consumption throughout the period of investigation.³⁹ Conversely, domestic producers' shipments as a share of apparent consumption declined steadily.⁴⁰

³⁶ 19 U.S.C. § 1677(7)(B)(i)(I).

³⁷ Id. § 1677(7)(C)(i) (emphasis added). Because the bulk of the domestic industry consists of one producer, the data obtained during this investigation must be discussed in general terms to avoid the disclosure of business proprietary information.

³⁸ Report at I-9, Table 2; I-24, Table 17.

Inasmuch as the import data are understated because data for one importer are not included, Id. at I-40, Table 16 n.l., we have based our determination on the export data.

³⁹ Id. at I-9, Table 2.

⁴⁰ Id. at I-10. The subject imports gained about a quarter of the U.S. market during the period of investigation and an equivalent share was lost by domestic producers. Id. at I-17, Table 2; I-24, Table 17.

B. Price Effects of the Subject Imports

The statute directs the Commission to consider the effect of subject imports on domestic prices for like products.⁴¹ In making its evaluation, the Commission must consider whether:

(I) there has been significant price underselling by the imported merchandise as compared with the price of like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.⁴²

The evidence in the record does not support a conclusion of significant price suppression or depression.⁴³ Underselling in the OEM market persisted throughout the period of investigation in 24 of 29 unit value comparisons and ranged from a margin of 1.4 percent to one of 41.0 percent.⁴⁴ There was also widespread underselling in the distributor segment of the market, with margins ranging from 2.5 to 31.9 percent.⁴⁵

⁴¹ 19 U.S.C. § 1677(7)(B)(i)(II).

⁴² Id. § 1677(7)(C)(ii).

⁴³ Commissioner Nuzum notes that in the OEM and distributor markets, which is where petitioner faced direct competition with respondent-importer, the price increases which did occur were consistently lower than those reported by respondent-importer. Report at I-28. In the remaining market, i.e. sales to dealers/repair shops, petitioner was not in direct competition with respondent-importer and, notably, increases in the average unit values of pads more closely followed those reported by the respondent-importer in the other two markets. Id. Over one-quarter of petitioner's and over two-thirds of respondent-importer's 1991 shipments were to OEMs. Over one-half of petitioner's 1991 shipments were to dealers/retailers. Id. at I-10.

⁴⁴ Id. at I-30; I-31, Table 23.

⁴⁵ Id. In this investigation, Commissioner Nuzum views underselling as particularly significant in light of the purported importance of quality to sales, for it appears that the allegedly higher quality imports are being sold at less than a premium price.

C. Impact of Subject Imports on the Condition of the Domestic Industry

Under the statute, in making its preliminary injury determination the Commission must consider the impact of subject imports on domestic producers of the like product in the context of production operations within the United States.⁴⁶ In examining the impact, the Commission must evaluate all relevant economic facts having a bearing on the state of the domestic industry, including but not limited to:

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

(II) factors affecting domestic prices,

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

(IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.⁴⁷

The Commission is to consider these factors within the context of the business cycle and conditions of competition which are distinctive to the domestic industry.⁴⁸

The significant increase in market penetration by imports from Italy, coincident with the loss of market share by domestic producers, indicate displacement of domestic sales by the subject imports. Displacement appears to be reflected in declining domestic shipment volumes,⁴⁹ as well as in

⁴⁶ 19 U.S.C. § 1677(7)(B)(i)(III).

⁴⁷ Id. § 1677(7)(C)(iii).

⁴⁸ Id.

⁴⁹ See Report at I-9, Table 2. U.S. producers' domestic shipments declined by about 15 percent in quantity during 1989-91, and fell again between the interim periods. The value of shipments increased from 1989 to 1990 as higher
(continued...)

declining domestic production.⁵⁰ Underselling tends to suggest negative price effects from the increased imports.⁵¹

Data concerning other statutory factors are not particularly useful in this preliminary investigation.⁵² The operating and financial data available to the Commission are of limited utility in assessing the impact of the subject imports on the domestic industry. Much of the data supplied by petitioner, which constitutes the bulk of the domestic industry,⁵³ include information pertaining to its Mexican plant.⁵⁴ We impress upon petitioner the need, in any final investigation, to separate the Mexican information from

⁴⁹ (...continued)

unit values were realized. Shipment values fell in 1991 and between the interim periods. Unit values remained above 1989 levels during 1991 and January-June 1992. Id. at I-12, Table 6.

⁵⁰ See id. at I-10 - I-11; I-11, Table 3. U.S. production declined by nearly 20 percent during 1989-91 and fell even more steeply between the interim periods. Id. at I-11, Table 3.

⁵¹ See id. at I-31, Table 23.

In determining that there is a reasonable indication of material injury, Commissioner Brunsdale also considered the alleged dumping margins, which ranged from 15.9 percent to 68.8 percent. Id. at I-5. While these margins are little more than petitioner's claims, they provide the best information available at this time concerning the amount by which the prices of the subject imports may be below a fair level.

⁵² Commissioner Nuzum concurs with her colleagues that the usefulness of capacity, employment and financial data is limited because these data include Mexican operations. She nevertheless points out that information and data available on the record support an affirmative determination. For example, there were generally steady declines in capacity, capacity utilization, inventories, the number of production and related workers, hours worked, and total compensation paid. Id. at I-11, Table 3; I-14, Table 9; I-15, Table 10. On the other hand, declines were not evident in the reported financial data. Id. at I-16, Table 11; I-17, Tables 12 & 13; see, however, id. at D-2.

⁵³ Id. at I-7.

⁵⁴ See, e.g., id. at I-11, Table 3 n.4.; I-15, Table 10 n.1; I-16.

data relating to its domestic operations so that we may comply with the statute as quoted above.

CONCLUSION

For the reasons set forth above, we determine that there is a reasonable indication that the domestic pads for woodwind instrument keys industry is materially injured by reason of the subject imports from Italy.

VIEWS OF CHAIRMAN DON NEWQUIST AND COMMISSIONER DAVID B. ROHR

Based on the record in this preliminary investigation, we determine that there is a reasonable indication that the industries in the United States producing bladder pads for woodwind instrument keys and leather pads for woodwind instrument keys are materially injured by reason of imports of such articles from Italy that are alleged to be sold at less than fair value (LTFV).¹

I. LIKE PRODUCT AND DOMESTIC INDUSTRY

In determining whether there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury by reason of the subject imports, we first define the "like product" and the "domestic industry." Section 771(4)(A) of the Tariff Act of 1930 defines the relevant industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the whole domestic production of that product."² In turn, the statute defines "like product" as "a

¹Material retardation is not an issue in these investigations.

²19 U.S.C. § 1677 (4) (A).

product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to an investigation."³

The Department of Commerce has defined the imported product subject to investigation as follows:

pads for woodwind instrument keys, which are manufactured by Pisoni. Pads for woodwind instrument keys covered by the scope of this investigation are currently classifiable under the following subheadings of the Harmonized Tariff Schedule of the United States (HTS): 9209.99.4040 and 9209.99.4080.⁴

Based on our analysis of the facts in this investigation, we determine, for purposes of this preliminary investigation, that there are two separate products "like" the articles subject to investigation -- bladder pads for woodwind instrument keys and leather pads for woodwind instrument keys.

³ 19 U.S.C. § 1677(10). Our determination of the appropriate like product is a factual determination, to which we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis. We consider a number of factors including: (1) physical characteristics and uses, (2) interchangeability of the products, (3) channels of distribution, (4) customer and producer perceptions of the products, (5) the use of common manufacturing facilities and production employees, and (6) where appropriate, price. No single factor is dispositive, and we may consider other factors relevant to a particular investigation. We look for clear dividing lines among possible like products. See e.g., Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169, n.5, 1170, n.8 (CIT 1988); Sony Corporation of America v. United States, 712 F. Supp. 978, 983 (CIT 1989).

⁴ Initiation of Antidumping Duty Investigation; Pads for Woodwind Instrument Keys from Italy Manufactured by Luciano Pisoni Accessori Strumenti Musicali A Fiato, 57 Fed. Reg. 54,220, 54,220-21 (Nov. 17, 1992).

Pads for woodwind instrument keys consist of a thin felt disc backed with cardboard or paper and covered with a fine layer of bladder or leather. Pads are glued inside the pad cups on the inner side of the woodwind instrument keys forming a firm, airtight closure over the tone holes of the instrument. Each pad is made to separate specifications set by the instrument manufacturer for a specific instrument.⁵ There are no products which are directly substitutable for pads, and there is essentially no difference between imported and domestically produced pads in terms of performance or appearance.⁶ Both the domestic and Italian producers manufacture bladder and leather pads.

While bladder and leather pads appear to be technically interchangeable, it appears that certain types of pads are dedicated for use with particular kinds of instruments.⁷ For example, leather pads are used for saxophone and bass clarinet keys and have a higher value due to the higher cost of the leather.⁸ They are also bigger than the bladder pads because of the larger holes to be covered. In contrast, bladder pads are used for clarinets and flutes. Bladder pads are sold at a much lower unit price than the leather pads because of the lower cost of the raw

⁵ Report at I-5.

⁶ Report at I-5.

⁷ Tr. at 67, 68, 136.

⁸ Id. at 137.

material.

Bladder pads and leather pads are made primarily for separate instruments, are made of different materials and have different cost structures and prices. Consequently, we find two like products, bladder pads and leather pads.⁹

For the purposes of this preliminary investigation, we concur with the view of our colleagues that a domestic industry does exist in the United States. Therefore, we find two domestic industries corresponding to the two like products: (1) the domestic producers of bladder pads and (2) the domestic producers of leather pads.

II. CONDITION OF THE DOMESTIC INDUSTRIES

In determining the condition of the domestic industry, we consider, among other factors, domestic consumption, domestic production, capacity, capacity utilization, shipments, inventories, employment, wages, financial performance, capital investment and research and development expenses.¹⁰ No single factor is dispositive and, in each investigation, we consider the particular nature of the industry under investigation in the context of "the business cycle and conditions of competition that are distinctive

⁹ We note, however, that the information obtained in this preliminary investigation concerning the physical characteristics and uses, lack of interchangeability and pricing of the products, as well as customer and producer perceptions concerning the products is both limited and inconclusive. Therefore, we would expect to return to this issue in any final investigation.

¹⁰ See 19 U.S.C. § 1677(7)(C)(iii).

to the affected industry."¹¹ Before describing the condition of the respective industries, we note that much of the information on which we base our decision is business proprietary, and our discussion of the condition of the industries must necessarily be general in nature.¹²

Bladder Pads

Apparent domestic consumption of bladder pads rose substantially over the period of investigation, growing by 22 percent. Despite this growing demand, domestic shipments and domestic market share fell during the same period. All three indicators fell sharply from January - June 1992 when compared with the same interim period in 1991.¹³

Domestic production declined rapidly from 1989 to 1990, rebounding somewhat in 1991, only to fall rapidly in the interim period. Capacity contracted steadily over the investigative period and consequently there was some irregular improvement in capacity utilization rates, although it remained at relatively low levels

¹¹ 19 U.S.C. § 1677(7)(C)(iii).

¹² In addition, much of the information provided by the petitioner includes data from its Mexican operations. In any final investigation, we urge the petitioner to separate out the data relating to its Mexican plant. Our inability to focus our injury analysis on data relating to domestic operations only was a basis for our continuing this investigation. See American Lamb Co. v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986); See also 19 U.S.C § 1677(4)(A); 1677(B)(i); 1677(7)(C)(iii).

¹³ Staff report at Table 2.

particularly for the first six months of 1992.¹⁴ Inventories fell in absolute terms by nearly half.¹⁵

Employment figures, including number of production workers, number of hours worked, and total compensation declined consistently from 1989 to 1991. However, substantial gains were made in productivity.¹⁶

The only financial data received by the Commission aggregates both bladder and leather pads.¹⁷ The quantity of net sales fell steadily throughout the investigative period. The value of net sales for all woodwind instrument pads showed a slight irregular decrease from 1989-1991 and a sharp drop from interim 1991 to interim 1992. In addition, there was a hefty growth in administrative costs. Nevertheless, due to a redirection of sales emphasis and productivity gains, a small increase was achieved in the operating margin.¹⁸ Capital investment increased from 1989 to 1991, while research and development remained constant.

Based on the foregoing performance indicators, we find a reasonable indication that the bladder pad industry is currently experiencing material injury.

¹⁴ Report at Table 4.

¹⁵ Report at Table 9.

¹⁶ Report at Table 10.

¹⁷ For purposes of this preliminary investigation, we find that pursuant to section 771 (4)(D), it is appropriate to use aggregate financial information for both industries.

¹⁸ Report at Table 10.

Leather Pads

Apparent domestic consumption and domestic shipments of leather pads both declined from 1989 to 1991 with domestic shipments declining at a much greater rate than that of consumption. However, in January - June 1992, consumption showed a significant increase while domestic shipments continued to fall sharply.¹⁹

Domestic production declined at a rapid rate over the period of investigation and because capacity remained constant, capacity utilization fell dramatically, particularly in the interim period.²⁰ Inventories grew in absolute terms during the period and also in relation to domestic shipments over the same period.²¹

Employment figures, including number of production workers, number of hours worked and productivity all declined from 1989 to 1991. Total compensation remained relatively unchanged over the same period.²²

Of necessity, our observations regarding financial indicators are based on the same information presented above for bladder pads.

Based on these indicators, we find a reasonable indication that the leather pad industry is currently experiencing material injury.

¹⁹ Report at Table 2.

²⁰ Report at Table 5.

²¹ Report at Table 9.

²² Report at Table 10.

III. REASONABLE INDICATION OF MATERIAL INJURY "BY REASON OF" ALLEGEDLY LTFV IMPORTS

In making a preliminary determination in an antidumping investigation, we determine whether there is a reasonable indication that an industry in the United States is materially injured "by reason of" the imports under investigation.²³ In each case, we consider the volume of imports, their effect on prices for the like product(s), and their impact on domestic producers.²⁴

In making our determination, we may consider "such other economic factors as are relevant to the determination... ." ²⁵ Although we may consider information that indicates that injury to the industry is caused by factors other than allegedly LTFV imports, we do not weigh causes. Subject imports need only be a cause of material injury.²⁶

While domestic shipments of both bladder and leather pads declined over the period of investigation, imports rose or remained constant.

²³ 19 U.S.C. § 1673(a).

²⁴ 19 U.S.C. § 1677(7)(B)(i).

²⁵ 19 U.S.C. § 1677(7)(B)(ii).

²⁶ See e.g. Metallwerken Nederland B.V. v. United States, 704 F. Supp. 730, 741 (Ct. Int'l Trade 1989); Citrosuco Paulista S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

The bulk of all U.S. imports of pads for woodwind instrument keys, both bladder and leather pads, originates in Italy.²⁷ In terms of quantity, imports of both bladder and leather pads into the U.S. from Italy increased by over 23 percent from 1989 through 1991.²⁸ Questionnaire data on imports of pads from Italy were available from only one importer of the Italian product and, therefore, understate the quantity and total value of U.S. imports from Italy.²⁹ During the same period, though, U.S. imports of all Italian pads, combining both bladder and leather pads, increased substantially as a share of the quantity of apparent U.S. consumption.³⁰

However, data received by the Commission concerning the respondent-producer's exports to the United States does separate bladder and leather pads. The data indicate that the volume of imports of each type of pad from Italy is significant. In particular, these data show rapid growth of exports of bladder pads to the United States from 1989 to 1991 which captured a significantly increased percentage of U.S. apparent consumption. Market share of the subject Italian bladder pads grew even more

²⁷ Report at I-23.

²⁸ Id. at C-2.

²⁹ Because official import statistics include both the subject pads and nonsubject articles (e.g., reeds, mouthpieces, and key assemblies), questionnaire responses are relied on in lieu of official import statistics.

³⁰ Report at Table 17.

sharply in January - June 1992 in comparison to the same period in 1991.³¹ Respondent-producer's exports of leather pads decreased slightly from 1989 to 1991, but the market share grew irregularly. In interim 1992, exports of Italian leather pads grew sharply with a corresponding increase in their market share for leather pads.³²

The Commission requested price and quantity data from U.S. producers and importers for their overall sales of pads for woodwind instrument keys by quarter for the period of investigation.³³ Prices were requested for both leather and bladder pads. The price data collected were incomplete, accounting for 63 percent of total reported U.S. shipments and only 41 percent of total Italian exports to the United States.³⁴

In the OEM and distributor markets, the domestic price increases which occurred were at levels consistently lower than increases reported by the importer. In the dealer/repair shop sector of the market, where the petitioner's pads did not face direct competition from the importer, reported domestic increases more closely tracked importer increases in terms of magnitude for the OEM and distributor market. The differing price trends and behavior in the two market segments suggests some indication of

³¹ Id. at Table 18.

³² Id. at Table 19.

³³ Id. at I-27.

³⁴ Id.

price suppression in the markets where the competition was more direct.³⁵

There is also ample evidence of underselling in the data. Pricing data based on average unit values show that for bladder pads underselling margins ranged from a high of 34.9 to 2.5 percent.³⁶ For leather pads, underselling was more pronounced; margins ranged from 41.0 to 11.6 percent.³⁷ We believe that this underselling is particularly significant, if quality is an important element of sales. If Italian pads are in fact the higher quality product, they apparently are not commanding a premium price, but instead frequently undersell the domestic pads.

We have considered respondents' arguments that non-price factors, including such alleged differences in product quality, are at least partly responsible for any injury the domestic industry may be suffering. The information on the record concerning these allegations, however, is mixed. We intend, therefore, to examine these allegations further in any final investigation.

IV. CONCLUSION

Overall, the information in this preliminary investigation indicates that allegedly dumped imports from Italy of both bladder and leather pads for woodwind instrument keys, which have undersold

³⁵ Id. at I-28.

³⁶ Id., Table 23.

³⁷ Id.

the domestic like products and captured an increasing share of apparent U.S. consumption, have had an adverse effect on domestic prices and on the sales and revenues of the domestic industry.

For the reasons set forth above, and in light of the applicable statutory standard for a preliminary investigation, we determine that there is a reasonable indication that the domestic industries producing bladder pads and leather pads for woodwind instrument keys are materially injured by reason of the subject imports from Italy.

INFORMATION OBTAINED IN THE INVESTIGATION

INTRODUCTION

On October 21, 1992, a petition was filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by Prestini Musical Instruments Corp., Nogales, AZ, (petitioner) alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Italy of pads for woodwind instrument keys that are allegedly being, or are likely to be, sold in the United States at less than fair value (LTFV).¹ Accordingly, effective October 21, 1992, the Commission instituted investigation No. 731-TA-627 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports.²

Notice of the institution of this investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 29, 1992 (57 F.R. 49097).³ The conference was held in Washington, DC, on November 12, 1992.⁴ Effective November 17, 1992, Commerce initiated an antidumping investigation to determine whether the subject imports are being sold or are likely to be sold in the United States at LTFV. The Commission voted on this investigation on December 2, 1992, and transmitted its determination to Commerce on December 7, 1992.

A summary of the data collected in this investigation is presented in appendix C.

**PREVIOUS INVESTIGATIONS AND OUTSTANDING
ANTIDUMPING DUTY ORDERS**

Pads for woodwind instrument keys from Italy have been the subject of two previous Commission investigations. Following the simultaneous filing of antidumping and countervailing duty petitions by Prestini Musical Instruments

¹ The scope of the investigation is defined by Commerce as follows: "The products covered by this investigation are pads for woodwind instrument keys, which are manufactured by Pisoni." All other imports of pads for woodwind instrument keys are already covered by an outstanding antidumping duty order. See section on previous investigations and outstanding antidumping duty orders.

² The Commission also instituted, effective September 21, 1992, antidumping investigation No. 731-TA-626 (Preliminary), Pads for Woodwind Instrument Keys from Italy, as a result of a petition also filed by Prestini Musical Instruments Corp. However, that investigation was terminated, effective October 1, 1992, following the withdrawal of the petition.

³ Copies of the Commission's and Commerce's cited Federal Register notices are presented in app. A.

⁴ A list of participants in the public conference is presented in app. B.

Corp., the Commission instituted, effective November 7, 1983, concurrent investigations to determine whether an industry in the United States was materially injured, or was threatened with material injury, by reason of imports from Italy of pads for woodwind instrument keys that were allegedly being sold, or were likely to be sold, in the United States at LTFV and that were allegedly being subsidized by the Government of Italy.

On December 21, 1983, the Commission notified the Department of Commerce of its preliminary determinations that there was a reasonable indication that an industry in the United States was materially injured by reason of alleged LTFV and subsidized imports of pads for woodwind instrument keys from Italy. On August 13, 1984, following notification by Commerce of its affirmative final determination of LTFV sales, the Commission determined that an industry in the United States was materially injured by reason of imports from Italy of pads for woodwind instrument keys that had been found by Commerce to be sold in the United States at LTFV.^{5 6}

On January 31 and April 25, 1984, Commerce made a negative preliminary and a negative final determination, respectively, regarding the petitioner's allegation of subsidized imports from Italy of pads for woodwind instrument keys.⁷

Following Commerce's affirmative final LTFV determination and the Commission's affirmative final LTFV injury determination, Commerce, on September 21, 1984, issued an antidumping duty order with respect to pads for woodwind instrument keys from Italy. The order assessed antidumping duties on U.S. imports of the subject pads exported from Italy as follows: a dumping duty of 1.16 percent on the subject pads produced or exported by Luciano Pisoni Fabbrica Accessori Strumenti Musicali (Pisoni); a dumping duty of 1.03 percent on the subject pads produced or exported by Pads Manufacturer s.r.l.; and, a dumping duty of 1.16 percent on the pads produced or exported by all other Italian producers/exporters, of which none were known. On November 5, 1986, Commerce revoked its affirmative antidumping duty finding only with respect to pads for woodwind instrument keys produced or exported by Pisoni.⁸

⁵ LTFV margins found by Commerce ranged from 0.2 percent to 37.0 percent, with an overall weighted-average margin of 1.09 percent.

⁶ See Pads for Woodwind Instrument Keys From Italy, USITC Pub. 1566, August 1984.

⁷ Because Commerce determined that the total net subsidy, 0.05 percent ad valorem, was an amount considered to be de minimis, a negative final determination resulted.

⁸ Following affirmative final determinations by Commerce and by the Commission, Pisoni filed suit in the Court of International Trade challenging Commerce's determination of LTFV sales. On July 21, 1986, the Court remanded the case to Commerce for redetermination. On remand, Commerce found that the weighted-average dumping margin on pads for woodwind instrument keys exported by Pisoni was 0.286 percent. Since the recalculated margin was considered by Commerce to be de minimis, Commerce redetermined that such merchandise exported by Pisoni was not being sold, nor was it likely to be sold, in the United States at LTFV.

On October 22, 1992, Commerce published in the Federal Register (57 F.R. 48202) the final results of its most recent administrative review of the companies still covered by the antidumping duty order on pads. The review, for the period September 1, 1990, through August 31, 1991, covered the Italian producer/exporter Pads Manufacturer s.r.l.⁹ Commerce determined that Pads Manufacturer s.r.l. had no imports during the covered period and, therefore, continued the existing dumping duty (1.03 percent) that was established during its last administrative review.

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

Petitioner's estimate of the alleged LTFV dumping margin for pads for woodwind instrument keys imported from Italy range from 15.9 percent to 68.8 percent. To obtain the estimated margins, petitioner compared the U.S. price of the subject merchandise exported by Luciano Pisoni with that of the foreign market value. U.S. price was based on an export price list of the Italian exporter; foreign market value was based on a similar price list.

THE PRODUCTS

Description and Uses

Pads for woodwind instrument keys consist of a thin felt disc backed with cardboard or paper and covered with a fine layer of gut (lamb or cow bladder) or leather. Pads may also consist entirely of cork, plastic, or other synthetic material, but the use of such pads is severely limited. The function of all pads for woodwind instruments is the formation of an airtight closure over the tone holes in the instrument. The pads are glued or shellacked into pad cups on the inner side of the instrument keys, and in turn cover or uncover the tone holes as the keys are pressed and released. The key movement shortens or lengthens the vibrating air column within the instrument and results in differently pitched tones. There are no products that may directly substitute for pads for woodwind instrument keys, and there is virtually no difference between imported and domestically produced pads in terms of both performance and appearance.

The production of pads for woodwind instrument keys has benefited from some increased usage of automation in recent years; however, the production process has tended to remain highly labor intensive. Pisoni reportedly uses automated equipment to obtain closer tolerances in thickness and diameters in cutting leather or bladder sheets and felt, and in stamping or punching individual disc covers for the imported pads.¹⁰ Specifications for pads are diverse, because of the variety of woodwind instruments, differences in

⁹ Based on information provided to Commerce, Pads Manufacturer s.r.l. was declared bankrupt on March 6, 1986.

¹⁰ This equipment is also available in the United States. However, petitioner alleges that "reduced financial resources due to LTFV imports do not allow the purchase or lease of such equipment." See petitioner's postconference brief, p. 16.

specific models of instruments produced by woodwind manufacturers, and somewhat limited production runs for different sizes and types of pads. These factors tend to limit wide-scale automation in the production of these products.

In addition to instrument specificity, pads may be differentiated further by altering the softness or hardness of the felt and by the thickness of the cover. Softer pads are usually of woven felt, whereas harder pads are generally made of pressed felt. Woven felt is used in the majority of both imported and domestically made pads. Most pressed felt is used in clarinet pads. Softer pads yield greater response in playing and aid students with imprecise fingering. Harder pads are normally used by more accomplished players and professional musicians.

In the manufacturing process, pad covers, felt discs, and cardboard backs are stamped from sheets, either by hand or by presses. The pad is assembled using a mold, usually a metal cylinder with an open center of specific diameter and depth. The dimensions of the mold depend on the instrument and manufacturer for which the pad is being produced. The pad cover is centered over the opening in the mold and the felt disc is pressed into the opening on top of the cover, leaving the edges of the cover material protruding from the opening. The card backing, if used, is then centered over the felt and a small amount of glue is applied to the back of the card. The mold is then revolved and a small pick-like tool is used to fold the protruding edges of the cover material over the backing. With all edges secured, the pick is used to pluck the finished pad from the mold. Pads that require resonators (metal or plastic discs attached to the front of the pad for enhanced tone quality) are drilled through the center and the resonator positioned and fastened.

Pads are purchased principally in bulk or in sets by woodwind instrument manufacturers, distributors, and instrument technicians and repairers. Replacement of worn pads is usually performed by trained repairers and requires first the disassembly of the key mechanism of the instrument and, then, the reassembly after the pads are replaced. Pads are ordered by the type of woodwind instrument, the cover material desired (leather or bladder), cover thickness (single or double), and the felt thickness and type (woven or pressed). Special instructions must also be included, such as the type of edges (straight or beveled), resonators, if required, and type (plastic or metal, flat, curved, or convex).

U.S. Tariff Treatment

Pads for woodwind instrument keys are classified under subheading 9209.99.40 of the Harmonized Tariff Schedule of the United States, parts and accessories for other woodwind and brasswind musical instruments. Other parts in the subheading include reeds, mouthpieces, and key assemblies. The 1992 column 1 (general) rate of duty for subheading 9209.99.40, applicable to imports of pads from Italy, is 4.9 percent ad valorem.

THE U.S. MARKET

U.S. Producers

The composition of the U.S. industry producing pads for woodwind instrument keys has not changed since the Commission's earlier antidumping investigation in 1984. The industry now, as then, consists of four firms. The names of the four firms, together with the location of their production facilities, shares of aggregate production, and each firm's position on the petition, are shown in table 1.

Prestini Musical Instruments Corp. (Prestini) accounts for the bulk of all U.S. production of pads for woodwind instrument keys. Operating abroad for most of the century, Prestini moved its pad manufacturing operations to the United States in 1974, first establishing itself in Tucson, AZ, and later moving to its present location in Nogales, AZ. Prestini's manufacturing operations are devoted exclusively to the manufacture of pads for woodwind instrument keys.¹¹

Ed Myers Co. and Ferree's Band Instrument Tool and Supply, Inc. produce pads for woodwind instrument keys on a somewhat limited basis. Ed Myers produces both bladder and leather pads for woodwind instrument keys, as well as other miscellaneous items for woodwind and brasswind musical instruments. Ferree's imports Italian-made pads directly from Pisoni and also buys pads produced by Prestini.¹² Because of the unreliability of these supply sources, Ferree's produces pads mainly as a safeguard against the interruption of supply from its normal sources. In addition to pads, Ferree's also manufactures repair tools for musical instruments.

Instrument City Pads is a wholly owned subsidiary of Emerson Musical Instruments, Inc., a U.S. manufacturer of flutes and piccolos.¹³ All, or nearly all, of Instrument City Pads' production is captively consumed by the parent firm.

U.S. Importers

In the Commission's 1984 final antidumping investigation, three firms were identified as U.S. importers of pads from Italy. These three were Enzo Pizzi, Inc., located in Woodside, NY; Leblanc Corp. of Kenosha, WI; and Yamaha Musical Products, located in Grand Rapids, MI. In this investigation, Commission importers' questionnaires were sent to those three firms as well as to seven other firms listed in the data files of the U.S. Customs Service. Leblanc Corp. was one of six firms that responded that they did not import the

¹¹ A corporation that is unrelated to Prestini (Prestini Reed Corp.) but whose principal shareholders are also shareholders of Prestini, manufactures reeds for musical instruments and also imports musical instruments (conference transcript, pp. 79-80).

¹² Petition, 10.

¹³ Piccolos are, for all intent and purposes, miniature flutes.

Table 1

Pads for woodwind instrument keys: Current U.S. producers, location of production facility, position on the petition, and share of production in 1991

Firm	Location of Manufacturing Facility	Share of U.S production in 1991 <u>Percent</u>	Position on petition
Prestini Musical Instruments Corp.	Nogales, AZ ¹	***	Petitioner
Ferree's Band Instrument Tool & Supply	Battle Creek, MI	(2)	(2)
Ed Myers Co.	Omaha, NE	***	***
Instrument City Pads ³	Grand Junction, CO	(2)	(2)

¹ From 1989 to 1991, Prestini also owned and operated an assembly plant (Prestini de Mexico) in Empalme, Sonora, Mexico. Using components (i.e., felt, cardboard, and bladder and/or leather) cut in the United States, workers at this plant glued together these cut components, at which point they were shipped back into the United States for final assembly (i.e., punching, sizing, fitting with resonators, and packaging).

² Did not respond to the Commission's questionnaire.

³ Wholly-owned subsidiary of Emerson Musical Instruments, Inc.

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

subject merchandise from any source during the period for which information was requested.¹⁴ A seventh firm, ***, was not able to supply usable information in its questionnaire response.¹⁵ Yamaha Musical Products supplied usable information on its imports of the subject merchandise. However, since the earlier investigation, it apparently switched its source of imported pads from Italy to Japan. Therefore, Enzo Pizzi and Ferree's are the only two U.S. importers of pads for woodwind instrument keys from Italy.

Apparent U.S. Consumption

Data on apparent U.S. consumption of pads for woodwind instrument keys are presented in table 2 and are composed of the sum of U.S. producers' U.S. shipments (domestic shipments and company transfers), exports to the United States as reported by the Italian producer/exporter Luciano Pisoni, and U.S.

¹⁴ When contacted by the Commission, 4 of the 6 firms (including Leblanc) indicated that they purchase Italian-made pads from Enzo Pizzi, Inc.

¹⁵ In its response to the Commission's questionnaire, *** reported that it imported pads from Taiwan during the period for which information was requested. However, in its response, it also noted that although such pads were imported from Taiwan, the pads actually originated in either Japan or Italy. The value of its reported imports was \$*** in 1989 and *** in the subsequent periods.

Table 2

Pads for woodwind instrument keys: U.S. producers' U.S. shipments, exports to the United States by Luciano Pisoni, U.S. imports for consumption from all other sources, and apparent U.S. consumption, by types, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-June--	
				1991	1992

* * * * *

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

imports from sources other than Italy. All of these data are based on responses to Commission questionnaires.

Demand for pads for woodwind instrument keys is affected by sales to two distinct enduser groups: woodwind musical instrument manufacturers and dealers and instrument repair technicians that serve the replacement market.¹⁶ Based on Commission estimates, U.S. production of woodwind musical instruments rose by 18 percent from 1989 to 1991, increasing from 160,000 units in 1989 to 189,000 units in 1991.¹⁷ Although indicative of only one half of the market for pads, the upward production trend also coincided with an increase in apparent U.S. consumption over the same period. Apparent U.S. consumption of bladder and leather pads increased from *** pads in 1989 to *** pads in 1991, an increase of *** percent (table 2).¹⁸ From January-June 1991 to January-June 1992, however, apparent U.S. consumption fell by *** percent, decreasing from *** pads to *** pads.

As a share of apparent U.S. consumption, pads made of bladder accounted for the bulk of U.S. consumption of all pads, ranging from a low of *** percent of consumption in January-June 1992 to a high of *** percent of consumption in the corresponding period of 1991. Again, as a share of apparent U.S. consumption, pads exported by Pisoni from Italy to the United States increased steadily throughout the period for which information was requested. Such pads increased from *** percent of consumption in 1989 to ***

¹⁶ Petitioner estimates current consumption within the two market segments at approximately 14 million pads: 6.4 million used by instrument manufacturers, most of which allegedly is supplied by imports, and 8 million used in the replacement market, half of which is supplied by imports (conference transcript, pp. 16 and 17).

¹⁷ According to the National Association of Music Merchants, U.S. sales of woodwind musical instruments, which includes sales of U.S.-produced as well as imported instruments, fell from 306,700 units sold in 1989 to 283,930 units sold in 1991.

¹⁸ Because Instrument City Pads did not respond to the Commission's questionnaire, the U.S. producers' shipments component of apparent U.S. consumption is understated.

percent of consumption in interim 1992. Conversely, U.S. producers' shipments as a share of apparent consumption declined steadily, falling from *** percent of consumption in 1989 to *** percent of consumption in interim 1992.

Channels of Distribution

Information gathered from the questionnaire responses of Prestini, the principal U.S. producer, and Enzo Pizzi, the major importer of Italian-produced pads, indicates that the primary channels of distribution for pads for woodwind instrument keys are original equipment manufacturers (OEMs), distributors/wholesalers, and musical instrument dealers/retailers. In 1991, *** percent of Prestini's shipments were to OEMs, compared with *** percent of Enzo Pizzi's shipments; and in contrast, *** percent of Prestini's shipments were to dealers/retailers compared with no shipments to this distribution outlet by Enzo Pizzi. The following tabulation shows the 1991 shipments by channels of distribution (in percent):

	<u>OEMs</u>	<u>Distributors/ wholesalers</u>	<u>Dealers/ retailers</u>
Prestini.....	***	***	***
Enzo Pizzi.....	***	***	***

CONSIDERATION OF ALLEGED MATERIAL INJURY

Relying on information presented in the petition, the Commission sent producers' questionnaires to the four firms alleged to have produced pads during 1989-92--Prestini, Ed Myers, Instrument City Pads, and Ferree's. Neither Ferree's nor Instrument City Pads responded to the questionnaire. Ferree's produces pads primarily as a means of augmenting its purchases and as a guarantee against supply interruption. Instrument City Pads produces pads mostly for captive consumption by its parent, Emerson Musical Instruments, a small producer of flutes and piccolos; it has minimal outside sales of the subject merchandise.¹⁹ The information in this section of the report is therefore based on the questionnaire responses of Ed Myers and Prestini.

U.S. Production, Capacity, and Capacity Utilization

U.S. production of all pads for woodwind instrument keys declined irregularly from 1989 to 1991 and fell precipitously from January-June 1991 to January-June 1992. U.S. production declined from *** pads in 1989 to *** in

¹⁹ In a letter dated November 2, 1992, sent in response to the Commission's questionnaire, Emerson stated in part "***."

1990, remained essentially unchanged from 1990 to 1991, and dropped sharply from *** in January-June 1991 to *** in the corresponding period of 1992 (table 3). U.S. producers' full production capability to produce pads for woodwind instrument keys fell by nearly *** percent from 1989 to 1991 and remained unchanged from January-June 1991 to January-June 1992. U.S. producers' capacity utilization declined irregularly from *** percent in 1989 to *** percent in 1991, and declined sharply from *** percent in January-June 1991 to *** percent in January-June 1992.

Table 3

Pads (bladder and leather) for woodwind instrument keys: U.S. producers' average-of-period capacity, production, and capacity utilization, by firms, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

Data on U.S. producers' full production capability and production for pads made of bladder and those made of leather are shown in tables 4 and 5, respectively. U.S. production of pads made of bladder declined from *** in 1989 to *** in 1990, and increased to *** in 1991 (table 4). Over the same period, U.S. production of leather pads fell from *** in 1989 to *** in 1991 (table 5). U.S. production of both bladder and leather pads fell sharply from January-June 1991 to January-June 1992, declining by *** percent and *** percent, respectively. U.S. producers' capacity utilization rate for pads made of bladder increased irregularly from *** percent in 1989 to *** percent in 1991, but declined from *** percent in January-June 1991 to *** percent in January-June 1992. The capacity utilization rate for leather pads was slightly higher than that for bladder pads in 1989 and 1990, but was significantly lower in 1991 and in January-June 1991 and January-June 1992.

Table 4

Bladder pads for woodwind instrument keys: U.S. producers' average-of-period capacity, production, and capacity utilization, by firms, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

Table 5

Leather pads for woodwind instrument keys: U.S. producers' average-of-period capacity, production, and capacity utilization, by firms, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

U.S. Producers' Shipments

U.S. Shipments

Data on U.S. producers' U.S. shipments of pads for woodwind instrument keys are shown in tables 6 through 8. The quantity of U.S. producers' U.S. shipments of all pads for woodwind instrument keys declined throughout the period for which information was requested. The quantity of such shipments fell from *** pads in 1989 to *** pads in 1991, a decrease of *** percent, and decreased even more precipitously, by *** percent, from January-June 1991 to January-June 1992 (table 6). Precipitated in part by higher unit values, the value of U.S. producers' shipments rose from 1989 to 1990, declined by *** percent from 1990 to 1991, and decreased again from January-June 1991 to January-June 1992 by *** percent. After increasing by nearly *** percent from 1989 to 1990, the average unit value of U.S. producers' shipments of pads of all types remained constant at *** cents per pad in 1991 and from January-June 1991 to January-June 1992. The increase in the unit value from 1989 to 1990 may be attributed in part to Prestini's acquiring more dealer accounts while losing some OEM accounts. Dealers, Prestini explained, ***.

Table 6

Pads (bladder and leather) for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), by firms, 1989-91, January-June 1991, and January-June 1992

Firm	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

U.S. producers' U.S. shipments of bladder and leather pads are shown in tables 7 and 8, respectively. Parallel trends are shown for both types, namely, an uninterrupted decrease in volume, an increase in the total value of U.S. shipments from 1989 to 1990 and a decline thereafter, increases in average unit values from 1989 to 1990, and generally constant average unit values from 1990 through the first 6 months of 1992.

Table 7

Bladder pads for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), by firms, 1989-91, January-June 1991, and January-June 1992

Firm	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

Table 8

Leather pads for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), by firms, 1989-91, January-June 1991, and January-June 1992

Firm	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

Exports

Ed Myers ***. Prestini reported shipments of pads to several export markets, including ***. As a share of its total shipments by quantity, Prestini's exports increased from *** percent in 1989 to *** percent in 1991 and from *** percent in January-June 1991 to *** percent in January-June 1992.

U.S. Producers' Inventories

U.S. producers' end-of-period inventories of all pads for woodwind instrument keys declined steadily throughout the period for which information was requested. Such inventories fell from *** pads in 1989 to *** in 1991, a

decrease of *** percent (table 9). U.S. producers' end-of-period inventories also dropped from January-June 1991 to January-June 1992, falling by *** percent. Pads made of bladder comprised *** percent of U.S. producers' inventories in 1989. Thereafter, however, the majority of U.S. producers' end-of-period inventories consisted of pads made of leather. Although U.S. producers experienced a declining trend in their end-of-period inventories during the period for which information was requested, the ratio of such inventories to production was generally high in all periods, ranging from a low of *** percent in January-June 1991 to a high of *** percent in January-June 1992.

Table 9

Pads for woodwind instrument keys: U.S. producers' inventories and ratio to production, by types and by firms, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

Employment, Wages, and Productivity

Data on Prestini's employment experience during the period for which information was requested are presented in table 10.²⁰ The data are for Prestini's combined U.S. and Mexican operations.

The number of production and related workers (PRWs) employed by Prestini in producing all pads for woodwind instrument keys declined from *** workers in 1989 to *** workers in 1991 (table 10). Nearly all of the reduction, which Prestini attributes to lost sales created by LTFV imports, ***.²¹ The total number of PRWs fell *** from January-June 1991 to January-June 1992. Correspondingly, the number of hours worked by PRWs producing all pads and total compensation paid to such workers declined by *** percent and *** percent, respectively, from 1989 to 1991, and decreased by *** percent and *** percent, respectively, from January-June 1991 to January-June 1992. Hourly total compensation paid to all PRWs rose steadily from 1989 to 1991,

²⁰ Ed Myers supplied very limited employment information in its questionnaire response. What information it did provide showed that the total number of production and related workers it employed increased from *** workers in 1989 to *** workers in 1990 and 1991, and decreased to *** workers in January-June 1992.

²¹ The number of PRWs in the United States, all of which are non-union workers, declined irregularly from *** workers in 1989 to *** workers in 1991. Prestini also ***.

Table 10

Pads for woodwind instrument keys: Prestini's average number of production and related workers, hours worked, wages and total compensation paid to such workers, and productivity and unit labor costs, by types, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-June--	
				1991	1992

* * * * *

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

increasing from \$*** per hour in 1989 to \$*** per hour in 1991, but fell slightly from January-June 1991 to January-June 1992. Productivity of PRWs producing all pads increased steadily from 1989 to 1991, but fell from January-June 1991 to January-June 1992. Productivity increased from *** pads per worker hour in 1989 to *** pads per worker hour in 1991, an increase of *** percent. Productivity, however, declined from *** pads per worker hour in January-June 1991 to *** pads per worker hour in January-June 1992. Between types of pads, however, productivity declined steadily for PRWs producing leather pads while that for PRWs producing bladder pads increased. The average unit labor costs of PRWs producing all pads remained fairly constant over the period for which information was requested. Unit labor costs for PRWs producing bladder pads, however, declined over the period while unit labor costs for workers producing leather pads steadily increased.

Financial Experience of U.S. Producers

Prestini, the principal U.S. producer of pads for woodwind instrument keys, is a small, family-owned business. The company's only line of business is the manufacture and sale of leather and bladder pads; therefore, its overall establishment operations are the same as operations producing pads.²² Since Prestini was unable to break out separate cost data for leather pads and bladder pads, the data in table 11 are for all pads.

As noted earlier, Prestini owns manufacturing facilities in Nogales, AZ, and Empalme, Mexico. According to Prestini, the only work done at the Empalme facility was the assembly of pads that were sold to OEMs and distributors. All other work on those pads, such as packaging and shipping, is done at the Nogales facility. All of the manufacturing, packaging, and shipping operations for Prestini's export sales and sales to dealers are done in the United States.

²² As previously indicated, Prestini's principal shareholders are also shareholders of Prestini Reed Corp., a company which manufactures reeds for musical instruments and imports musical instruments.

Table 11

Income and loss experience of Prestini on its instrument key pads, fiscal years 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

The amount of work done and costs incurred at the Empalme facility have decreased as Prestini's sales to OEMs have decreased. Each year from 1989 to 1991, approximately *** of Prestini's total manufacturing costs and *** of its total operating costs were incurred at Empalme. In late 1991, in response to decreased OEM sales, Prestini closed the facility. It has been idle since, although Prestini could resume operations there if it wanted to.

Prestini's accounting system ***. Therefore, ***.

Profit-and-loss data on Prestini's operations are shown in table 11. The company's trends are fairly consistent and similar from 1989 to 1991 and from interim 1991 to interim 1992. From 1989 to 1991, decreased sales quantities were generally offset by increased unit sales prices, leading to fairly constant net sales values. The reason for this is twofold.

First, according to Prestini, Italian manufacturers were increasing their sales efforts to U.S. OEMs. This resulted in decreased sales quantities for Prestini. In an effort to regain sales, the company began selling to dealers directly. By bypassing the wholesaler, Prestini was able to get much more on a per-unit basis from the dealers than from the OEMs.

At the same time, *** in unit cost of sales resulted in ***. Most of these *** didn't flow through to the operating level, however, because of ***.

From interim 1991 to interim 1992, net sales *** by about *** because ***. According to Prestini's records, the cost of goods sold *** during the same period, and so gross profits ***. On a per-unit basis, however, the cost of goods sold *** from \$*** per 100 pads in interim 1991 to \$*** per 100 pads in interim 1992 (about *** percent), whereas gross profitability *** from \$*** per 100 pads to \$*** per 100 pads, or by ***.

Despite *** in sales value, SG&A expenses ***. However, on a per-unit basis they *** about *** percent, or about ***.

The company stated that the cost inconsistencies between interim periods are probably related to stopping its Mexican operations. According to

Prestini, ***.²³ This would not explain why per-unit costs in 1992 (under an all-U.S. operation) ***. Therefore, the interim period cost data should be used with caution.

Investment in Productive Facilities and Net Return on Assets

Data on Prestini's investment in productive facilities and return on its assets are shown in table 12.

Table 12

Value of Prestini's assets and return on assets as of December 31, 1989-91, June 30, 1991, and June 30, 1992

Item	As of December 31--			As of June 30--	
	1989	1990	1991	1991	1992
	*	*	*	*	*

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

Capital Expenditures

Prestini's capital expenditures are shown in table 13.

Table 13

Prestini's capital expenditures, fiscal years 1989-91, January-June 1991, and January-June 1992

(In dollars)

Item				January-June--	
	1989	1990	1991	1991	1992
	*	*	*	*	*

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

Research and Development Expenses

Prestini's research and development expenses were about \$*** to \$*** per year from 1989 to 1991, and about *** in both interim periods.

²³ Per phone conversation with Jeffrey Taylor, VP-Finance, on November 20, 1992.

Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of pads for woodwind instrument keys from Italy on their growth, investment, ability to raise capital, and/or development and production efforts. Prestini's response is in appendix D.

CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the merchandise, the Commission shall consider, among other relevant economic factors²⁴--

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

²⁴ Section 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 706 or section 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.²⁵

Information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of Alleged Material Injury." Items (I) and (IX) above are not applicable in this investigation.

Available information follows on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); any other threat

²⁵ Section 771(7)(F)(iii) of the act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

indicators, if applicable (item (VII) above); and on any dumping in third-country markets.

U.S. Importers' Inventories

Enzo Pizzi imports pads for woodwind instrument keys exclusively from the Italian producer Pisoni. Enzo Pizzi maintains that the pads that it imports are sold immediately upon entry into the United States and for that reason it maintains no inventories in the United States.²⁶

Ability of Foreign Producers to Generate Exports and the Availability of Export Markets Other Than the United States

Three firms--Pisoni, Lucien s.n.c., and Olga Chiarugi & C. s.n.c. (Chiarugi)--are known to manufacture or assemble pads for woodwind instrument keys in Italy. Pisoni and Chiarugi were in existence at the time of the Commission's 1984 final antidumping investigation; however, only Pisoni was engaged in the production of the subject merchandise at that time. The information that follows is based on information provided by counsel for respondent Pisoni and on information supplied by the U.S. embassy in Rome at the request of the Commission.

Chiarugi was formed in the early 1970s as a maker of accessories, other than pads, for double reed (i.e., oboe and bassoon) instruments. In 1987 Chiarugi acquired the machinery and equipment of the then defunct Balsamo Manufacturing Co. and started producing pads for woodwind instrument keys. Employing fewer than five workers, Chiarugi is now believed to have very limited production of the subject merchandise.²⁷ Its sales are primarily directed to its home market and to other European markets. Based on the information received, Chiarugi did not export the subject merchandise to the United States during the period for which information was requested.

Respondent Pisoni began producing pads for woodwind instrument keys in 1976, after acquiring the physical assets of the bankrupt Italian operations of the Prestini Co. In addition to pads, Pisoni also produces tools and reeds for musical instruments. Lucien s.n.c. is owned by Mr. Luciano Pisoni.

Information on the combined operations of Chiarugi and Pisoni is presented in table 14. Information concerning Pisoni's operations alone is presented in table 15. Operating at no less than *** percent of capacity during the period for which information was requested, Chiarugi' and Pisoni's aggregate production of pads for woodwind instrument keys in Italy rose from

²⁶ See conference transcript, p. 129; also see respondents' postconference brief, p. 31. However, we should note that Pizzi's distributors do maintain inventories in the United States but that no data are available on such inventories (see Prestini's postconference brief, pp. 9 and 21).

²⁷ Conference transcript, p. 118.

Table 14

Pads (bladder and leather) for woodwind instrument keys: Italy's capacity, production, inventories, capacity utilization, and shipments, 1989-91, January-June 1991, January-June 1992, and projected 1992-93

Item	1989	1990	1991	January-		Projected--	
				June-- 1991	1992	1992	1993
	*	*	*	*	*	*	*

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

Table 15

Pads (bladder and leather) for woodwind instrument keys: Pisoni's capacity, production, inventories, capacity utilization, and shipments, 1989-91, January-June 1991, January-June 1992, and projected 1992-93

Item	1989	1990	1991	January-		Projected--	
				June-- 1991	1992	1992	1993
	*	*	*	*	*	*	*

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

*** in 1989 to *** in 1991, an increase of *** percent (table 14).²⁸ Production continued on the upswing in 1992, increasing by *** percent from January-June 1991 to January-June 1992. Although Pisoni and Chiarugi were unable to provide projected production or capacity data for 1992-93, using reported production for the first 6 months of 1992 would result in annualized 1992 production of *** pads, representing an increase of *** percent over 1991 production. The ratio of inventories to production was minimal from 1989 to 1991, not exceeding *** percent. However, in the interim periods, the ratio increased from *** percent in interim 1991 to *** percent in interim 1992.

As shown in table 14, Italy's production of pads for woodwind instrument keys is driven by export demand, the United States being the principal export

²⁸ No information was available through the U.S. embassy on Chiarugi's operations in producing pads made of bladder versus pads made of leather. However, such information was provided by Luciano Pisoni. In 1991, for example, pads made of bladder accounted for *** percent of Luciano Pisoni's total production of bladder and leather pads. In the same period, bladder pads represented nearly *** percent of Luciano Pisoni's exports of all pads to the United States.

market. Other major export markets include Japan, Taiwan, Brazil, and certain other European countries. As a share of total shipments, Italy's exports to the United States declined from *** percent in 1989 to *** percent in 1990, increased to *** percent in 1991, and declined by *** percentage point from interim 1991 to interim 1992. Although this particular trend fluctuated throughout the period, a different trend would result if such exports were measured in absolute terms. Measured as such, exports to the United States increased by just under *** percent from 1989 to 1990, rose significantly by *** percent from 1990 to 1991, and increased by *** percent from interim 1991 to interim 1992.

Data limited to Pisoni's operations concerning pads for woodwind instrument keys are shown in table 15. As shown in the table, Pisoni operated at a significantly high level of capacity utilization during the period for which information was requested, not falling below *** percent in any one period. As a share of its total shipments, Pisoni's exports to the United States accounted for between *** percent and *** percent of the total from 1989 to 1991. The share fell from *** percent in January-June 1991 to *** percent in the corresponding period of 1992. Pisoni's shipments in its home market during the period for which information was requested were insignificant relative to its total shipments.

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT MERCHANDISE AND THE ALLEGED MATERIAL INJURY

U.S. Imports

Based on information obtained in this investigation, Enzo Pizzi and Ferree's account for all U.S. imports of pads for woodwind instrument keys from Italy, and Pisoni is the sole Italian exporter of the subject merchandise to the United States. Because official import statistics include both the subject pads and nonsubject articles (e.g., reeds, mouthpieces, and key assemblies), questionnaire responses are relied upon here instead of official import statistics.

Imports from Italy as shown in table 16 represent imports as reported in the questionnaire response of Enzo Pizzi, one of the two U.S. importers that import Italian-made pads. Based on information provided by the Italian exporter, Ferree's, the other importer, imports significantly fewer pads than does Enzo Pizzi. The quantity of U.S. imports of pads for woodwind instrument keys from all sources remained somewhat flat during the period for which information was requested. The value of such imports, however, increased steadily over the same period. Total U.S. imports increased from *** pads, valued at \$***, in 1989 to *** pads, valued at \$***, in 1990 (table 16). Although the quantity of such imports remained virtually unchanged from 1990 to 1991, the value of such imports rose by *** percent, increasing to \$***. From January-June 1991 to January-June 1992, the quantity of total imports decreased by *** pads, or by *** percent. The value of those same imports, however, rose by *** percent, increasing to \$***. The average unit value of U.S. imports of pads from all sources increased from *** cents per pad in 1989 to *** cents per pad in 1991 and remained at that level in the first 6 months of 1992.

Table 16

Pads for woodwind instrument keys: U.S. imports, by sources and by types, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

As shown in table 16, the bulk of all U.S. imports of pads for woodwind instrument keys originate in Italy. U.S. imports from Italy, as reported by Enzo Pizzi, declined from *** pads, valued at \$***, in 1989 to *** pads, valued at \$***, in 1991. Enzo Pizzi's imports from Italy increased from *** pads, valued at \$***, in January-June 1991 to *** pads, valued at \$***, in January-June 1992.²⁹ The average unit value of Enzo Pizzi's imports from Italy rose by *** percent to *** cents per pad from 1989 to 1991 and increased from *** cents per pad in January-June 1991 to *** cents per pad in January-June 1992. More than *** of all pads imported from Italy during the period for which data were reported consisted of pads made of bladder. U.S. imports from Japan, as reported by Yamaha Corp. of America (Yamaha), were *** in 1989 but increased to *** pads, valued at \$***, in 1990. In 1991, such imports increased to *** pads, valued at \$***. Beginning in 1992, Yamaha ceased importing pads from its parent firm in Japan and began sourcing pads domestically because of cost considerations.

Market Penetration of Imports

Shares of apparent U.S. consumption, by quantity and value, of pads for woodwind instrument keys are presented in tables 17 through 19. Pisoni's total exports to the United States of pads for woodwind instrument keys as a share of the quantity of apparent U.S. consumption rose from *** percent of apparent U.S. consumption in 1989 to *** percent in 1991 (table 17). From January-June 1991 to January-June 1992, Pisoni's share of apparent U.S. consumption increased sharply, rising from *** percent to *** percent. As a share of the value of apparent U.S. consumption, exports to the United States from Pisoni fluctuated upwards from *** percent in 1989 to *** percent in 1991 and increased from *** percent in January-June 1991 to *** percent in January-June 1992. Pisoni's exports to the United States of pads made of bladder as a share of the quantity and value of apparent U.S. consumption increased from *** percent and *** percent, respectively, in 1989 to *** percent and *** percent, respectively, in 1991 (table 18). Such exports to the United States increased from *** percent and *** percent of apparent U.S. consumption,

²⁹ In its questionnaire response, Enzo Pizzi indicated that it had arranged for the importation of *** bladder pads, valued at \$***, and *** leather pads, valued at \$***, after June 30, 1992.

Table 17

Pads (bladder and leather) for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), imports for consumption, and apparent U.S. consumption, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-March--	
				1991	1992
	*	*	*	*	*

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

Table 18

Bladder pads for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), imports for consumption, and apparent U.S. consumption, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-June--	
				1991	1992
	*	*	*	*	*

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

respectively, in January-June 1991 to *** percent and *** percent, respectively, in January-June 1992. Pisoni's exports of pads made of leather from Italy to the United States as a share of the quantity of apparent U.S. consumption dipped from *** percent in 1989 to *** percent in 1990, increased to *** percent in 1991, and increased from *** percent in January-June 1991 to *** percent in January-June 1992 (table 19). As a share of the value of apparent U.S. consumption, such exports from Pisoni had a similar trend, falling from *** percent in 1989 to *** percent in 1990, increasing to *** percent in 1991, and rising from *** percent in January-June 1991 to *** percent in the corresponding period of 1992.

U.S. producers' shipments as a share of the quantity and value of apparent U.S. consumption of all pads declined continuously throughout the period for which information was requested. As a share of the quantity of apparent U.S. consumption, U.S. producers' shipments fell from *** percent in 1989 to *** percent in 1991 and declined by *** percentage points from January-June 1991 to January-June 1992. The value of U.S. producers' shipments as a share of apparent U.S. consumption fell by *** percentage

Table 19

Leather pads for woodwind instrument keys: U.S. producers' U.S. shipments (domestic shipments and company transfers), imports for consumption, and apparent U.S. consumption, 1989-91, January-June 1991, and January-June 1992

Item	1989	1990	1991	January-March--	
				1991	1992
	*	*	*	*	*

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

points from 1989 to 1991 and declined by *** percentage points from January-June 1991 to January-June 1992. By types of pads, U.S. producers' shipments of bladder pads as a share of the quantity and value of apparent consumption fell by *** and *** percentage points, respectively, from 1989 to 1991 and decreased by *** and *** percentage points, respectively, from January-June 1991 to January-June 1992. U.S. producers' shipments of leather pads as a share of the quantity and value of apparent U.S. consumption declined by *** and *** percentage points, respectively, from 1989 to 1991 and decreased by *** and *** percentage points, respectively, from January-June 1991 to January-June 1992.

Pricing and Marketing Considerations

As indicated earlier, demand for U.S.-produced pads for woodwind instruments is determined by the demand for new U.S.-produced instruments, refurbished used instruments, and any instrument maintenance.³⁰ Factors that directly affect the demand for new and refurbished woodwind instruments include macroeconomic conditions, changes in school budgets that affect musical education and band programs, and changes in the elementary and secondary school population.³¹

Instrument keypads account for approximately 3 percent or less of the total cost of a new woodwind instrument and approximately 6 percent of a refurbished instrument.³² Industry officials report that despite the low cost of keypads, they are extremely important because they affect the action and

³⁰ To a lesser extent, demand for U.S.-produced keypads is also influenced by demand for foreign-produced woodwind instruments.

³¹ Various industry officials indicated that cutbacks in school budgets have had a negative effect on the demand for their companies' woodwind instruments over the past few years.

³² Based on various estimates provided by industry officials. One manufacturer estimated that the pads account for roughly 2 percent of the total cost of a lower priced flute. The estimate provided by the petitioner is even lower (0.7 percent), but may not have been calculated on the same basis. See conference transcript, p. 14.

sound of the instrument. Incorrectly sized pads will not seat properly in the instrument's cups; variations in thickness cause problems in the calibration of the instrument. Pads that are too hard or soft affect the mechanical action of the instrument and distract the user. For these reasons, instrument manufacturers repeatedly stressed the importance of quality. Price, although not inconsequential, was cited as a secondary consideration in their purchasing decision.³³

The design of different types and styles of woodwind instruments dictates the particular size (thickness and diameter) and hardness of the pads used in the instrument. Instrument manufacturers specify the precise characteristics of the pads and evaluate samples submitted by pad manufacturers to determine whether the pads are acceptable. The quality of the keypad is directly related to the quality of the material inputs (leather or bladder, cardboard, and felt) and to the degree of precision maintained during the production process. Both the petitioner and the respondent reported that they have successfully met various instrument manufacturers' requirements.

Instrument manufacturers cite product consistency as the most important factor influencing their purchasing decisions. Inconsistencies in pad dimensions and hardness can render the pad unusable and disrupt the flow of production.³⁴ If a pad is too thin, it can be "built up" with a paper washer and glue. Manufacturers cannot adjust pads that are too thick or of the wrong diameter or degree of hardness.³⁵

Dealers and repair shops have fewer problems with dimensional inconsistencies because these companies service a wide variety of products with different specifications. Nonetheless, such inconsistencies increase the amount of time it takes to repair an instrument and thus are a concern for this sector of the industry as well.

Instrument keypads are priced on the basis of the type and size of the pad and the total quantity of the sale. Both the petitioner and the

³³ For example, in an interview on November 9, 1992, *** noted that price was a consideration only if comparing products of equal quality. *** noted that for some of the OEMs, price might be a somewhat important factor determining purchasing decisions and that some of the manufacturers' tolerances are less rigid than those of other manufacturers. *** stated on November 10, 1992, that his company used to buy from ***; *** discontinued buying from *** because the company charged higher prices, provided lower quality pads, and missed delivery dates.

³⁴ Instrument producers cited slowdowns in the production line and actual shutdowns as a result of shipments of pads of inconsistent quality. In addition, *** reported having to buy small lots of pads from alternative sources at higher prices in order to maintain normal operations (November 13, 1992).

³⁵ In addition, the uniformity of the felt was also cited as a problem with some pads. *** stated that the felt is the most important component in the pad and that it could not be lumpy, bumpy, or of an inconsistent thickness (November 13, 1992).

respondent indicate that they price their pads on an f.o.b. basis (from their U.S. locations) and follow price lists.³⁶ Typically, prices charged to OEMs are lower than those charged to distributors. Prices for dealers and repair shops are marked up over the prices charged to distributors.³⁷ The petitioner and respondent reported that all of their sales were on a spot basis. Purchase orders typically allow up to a 90-day lead time and may cover multiple shipments spread out over a number of months.³⁸ Transportation costs are not a significant factor affecting the sale of keypads, accounting for approximately 0.5 percent of the cost per pad.³⁹

Questionnaire Price Data

The Commission requested quarterly price and quantity data from U.S. producers and importers for their overall sales of pads for woodwind instrument keys during January 1989-June 1992. U.S. producers and importers were requested to submit separate pricing data for their annual sales to (a) original equipment manufacturers, (b) distributors, and (c) all other types of purchasers.

The Commission requested pricing data for the following product specifications:

- Product 1: Double bladder, transparent, pressed felt clarinet pads, 6mm-20mm
- Product 2: Double bladder, transparent, woven felt flute pads, 11mm-20mm
- Product 3: Acoustic series saxophone pads with plastic resonators, 22.5mm-30mm
- Product 4: Standard series saxophone pads, full cardboard back with rivet, 22.5mm-30mm

Only one U.S. producer (Prestini) and one importer (Enzo Pizzi) submitted useable pricing data.⁴⁰ The reported pricing data from these two companies for products 1 to 4 accounted for approximately *** and *** percent of their total shipments of U.S.-produced and Italian instrument key pads, respectively. Unit values reported below are shown by sales to OEMs, distributors, and all other purchasers.

³⁶ One purchaser of the Italian product indicated that transportation costs were included in the price of the pad. All other purchasers interviewed indicated that they paid for transportation within the United States.

³⁷ ***.

³⁸ A number of industry sources cited problems with *** meeting delivery schedules. *** stated that his company had experienced problems with *** suppliers (November 16, 1992). *** also stated that his company had to keep as much as 2 years of inventory on hand to insure against supply problems.

³⁹ ***.

⁴⁰ Price data submitted account for *** percent of total reported U.S. shipments and *** percent of total Italian exports to the United States.

Price Trends

The U.S. producer's average unit values remained fairly stable or increased somewhat for most of the products over the period under investigation. In contrast, average unit values reported by the importer increased fairly steadily for all products to all customers. In the OEM and distributor markets, the domestic price increases that did occur were consistently lower than those reported by the importer. In the dealer/repair shop sector of the market, where the petitioner did not face direct competition with the importer, the reported increases in average unit values followed more closely those reported by the importer (in terms of magnitude) for the OEM and distributor market sectors.

Sales to OEMs

Price data for products 1-3 were received for sales to OEMs. Average unit values for domestic product 1 showed little change between 1989 and the second quarter of 1992 (table 20). Reported average unit values for Italian product 1 exhibited steady increases (***) percent) during the January 1989-June 1992 period.

Average unit values for domestic product 2 sales to OEMs increased *** percent between 1989 and the third quarter of 1991. However, sales of this product were sporadic after 1989. The value of Italian product 2 grew by *** percent between the first quarter of 1989 and the first quarter of 1992.⁴¹ Reported values for domestic product 3 declined *** percent between the second quarter of 1989 and the second quarter of 1992. In contrast, Italian product 3 increased *** percent during the same period.

Sales to Distributors

Reported unit values for domestic product 1 sold to distributors registered a ***-percent increase from January 1989 to June 1992 (table 21). During the same period, the unit value of Italian product 1 increased *** percent. Although the average unit values for domestic product 1 were less than those reported for Italian product 1 between January 1991 and June 1992, the domestic sales volume declined, while sales of Italian product 1 rose. Average unit values for domestic product 2 also increased at a slower rate than the Italian product (***) and (***) percent, respectively). As with product 1, sales volumes for the domestic product declined while sales of the Italian product rose despite higher average unit values reported for the Italian product between the fourth quarter of 1990 and the second quarter of 1992.

Sales of domestic product 3 were not reported for this market. Average unit values for Italian product 3 increased *** percent between January 1989 and June 1992. Average unit values for domestic product 4 increased (***) percent) but at a significantly slower rate than those of the Italian product

⁴¹ Sales of both domestic and Italian product 2 declined (in terms of volume) after 1989.

Table 20

Pads for woodwind instrument keys: U.S. producer's and importer's average unit values and quantities of sales to OEMs, by products and by quarters, January 1989-June 1992

(Values in cents per pad; quantities in 100 pads)

Period	Product 1		Italy		Product 2		Italy		Product 3		Italy	
	United States		Average		United States		Average		United States		Average	
	value	Quantity	value	Quantity	value	Quantity	value	Quantity	value	Quantity	value	Quantity

* * * * *

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

Table 21

Pads for woodwind instrument keys: U.S. producer's and importer's average unit values and quantities of sales to distributors, by products and by quarters, January 1989-June 1992

(Values in cents per pad; quantities in 100 pads)

Period	Product 1		Italy		Product 2		Italy		Product 3		Italy		Product 4		Italy	
	United States		Average		United States		Average		United States		Average		United States		Average	
	value	Quantity	value	Quantity	value	Quantity	value	Quantity	value	Quantity	value	Quantity	value	Quantity	value	Quantity

* * * * *

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

(*** percent). Sales volumes reported for both products were relatively stable.

*Sales to Other Customers*⁴²

Average unit values for domestic product 1 increased by *** percent during January 1989-June 1992 (table 22). Similarly, reported average unit values of products 2, 3, and 4 also increased, by ***, ***, and *** percent respectively.

Unit Value Comparisons

The reported sales information for the U.S. producer's and importer's quarterly shipments to OEMs during January 1989-June 1992 resulted in 29 unit value comparisons (table 23). In 24 of these comparisons, the Italian product undersold the domestic product, with margins ranging from *** to *** percent. In 5 cases, the Italian product was priced above the domestic product, with margins ranging from *** to *** percent. Calculated margins of underselling for products 1 and 3 by Enzo Pizzi declined steadily during the 3-1/2 year period. During ***, domestic product 1 was priced below the Italian product.

Forty comparisons between U.S. and Italian average unit values were observed for sales to distributors. In 23 of these comparisons, the Italian product undersold the domestic product, with margins ranging from *** to *** percent. In 17 cases, the Italian product was priced above the domestic product, with margins ranging from *** to *** percent. For the most part, overselling by the U.S. importer occurred during ***. In the case of product 4, the overselling occurred ***.

Lost Sales and Revenues

The Commission received allegations of lost sales and lost revenues only from Prestini. In its questionnaire responses, Prestini reported *** lost sales allegations that amounted to \$*** and involved approximately *** pads allegedly purchased from Italian suppliers during the period January 1991-June 1992. The *** lost revenues allegations totalled \$*** and involved *** pads. The Commission contacted the *** purchasers who accounted for 100 percent of the lost sales and lost revenues allegations. The following provides a summary of the information obtained from these purchasers.

*** was named by Prestini in *** lost sale allegation that totalled \$*** and involved *** keypads. *** indicated that his company was buying from the Italian supplier because the company's products were of high quality and the supplier responded promptly to *** requests. *** also noted that his company

⁴² The U.S. importer reported no sales to sources other than OEMs and distributors.

Table 22

Pads for woodwind instrument keys: U.S. producer's average unit values and quantities of sales to all other customers, by products and by quarters, January 1989-June 1992

(Values in cents per pad; quantities in 100 pads)

Period	Product 1		Product 2		Product 3		Product 4	
	Average unit value	Quantity	Average unit value	Quantity	Average unit value	Quantity	Average unit value	Quantity
	*	*	*	*	*	*	*	*

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

Table 23

Pads for woodwind instrument keys: Margins of under/(over) selling for unit values of sales to OEMs and sales to distributors, by products and by quarters, January 1989-June 1992

(In percent)

Period	Product 1	Product 2	Product 3	Product 4
	*	*	*	*

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

had been buying Italian-produced pads for years. He could not confirm the specifics of the lost sale allegation, but said that the type of pad, the time period, and the dollar and volumes alleged seemed "within the ballpark." He noted that although his company had purchased from Prestini in past years, the quality of the pads was often inconsistent and therefore caused problems in the production process.

*** was named by Prestini in *** lost sales allegations and *** lost revenue allegations. *** stated that his company was no longer placing new orders for keypads with Prestini and that the decision to discontinue ordering had been made after the company had experienced repeated problems with the domestic manufacturer. In particular, *** noted that Prestini produced products of inconsistent quality, missed established delivery dates, shipped some orders early (forcing *** to carry extra inventory), and generated inaccurate invoices. He stated that price was a secondary consideration and that any price differences were incidental. *** could not verify the specific allegations made by Prestini in its questionnaire response, but stated that *** had experienced problems with Prestini throughout the January 1989-June

1992 period. He did confirm that ***.

In its post-conference brief, Prestini also named *** other companies, ***, for alleged lost sales in 1989.⁴³ *** stated that his company no longer buys keypads from Prestini and that it discontinued purchasing domestic product in (or around) ***. *** noted that, when *** switched to ***, *** prices for *** pads were higher than Prestini's prices for similar products; however, the quality of *** products was also higher. He stated that the main problem with Prestini's products was inconsistent sizing and degree of hardness (within and between shipments).

*** confirmed that *** last purchase order with Prestini was dated ***, and involved *** pads. *** noted that in addition to experiencing problems with product consistency, *** repeatedly had experienced problems with inaccurate invoices.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that during January-March 1989 through July-September 1992 the nominal value of the Italian lira fluctuated, appreciating 21.6 percent overall relative to the U.S. dollar (table 24).⁴⁴ Adjusted for movements in producer price indexes in the United States and Italy, the real value of the Italian currency showed an overall appreciation of 17.6 percent for the period January-March 1989 through the second quarter of 1992, the most recent period for which official price data is available.

⁴³ Post-conference brief of Prestini, p. 8.

⁴⁴ International Financial Statistics, November 1992.

Table 24

Exchange rates:¹ Indexes of nominal and real exchange rates of the Italian lira and indexes of producer prices in the United States and Italy,² by quarters, January 1989-September 1992

Period	U.S. producer price index	Italian producer price index	Nominal exchange rate index	Real exchange rate index ³
1989:				
January-March.....	100.0	100.0	100.0	100.0
April-June.....	101.8	101.4	96.3	96.0
July-September.....	101.4	102.2	97.9	98.6
October-December....	101.8	103.7	101.6	103.6
1990:				
January-March.....	103.3	105.0	108.2	110.0
April-June.....	103.1	105.2	110.1	112.4
July-September.....	104.9	106.2	115.3	116.7
October-December....	108.1	107.8	120.4	120.1
1991:				
January-March.....	105.9	109.4	118.2	122.1
April-June.....	104.8	109.2	105.4	109.7
July-September.....	104.7	109.5	104.2	109.1
October-December....	104.8	110.0	110.9	116.4
1992:				
January-March.....	104.6	110.9	111.4	118.1
April-June.....	105.6	111.4	111.5	117.6
July-September.....	106.1	(⁴)	121.6 ⁵	(⁴)

¹ Exchange rates expressed in U.S. dollars per Italian lira.

² Producer price indexes--intended to measure final product prices--are based on period-average quarterly indexes presented in line 63 of the International Financial Statistics.

³ The real exchange rate is derived from the nominal rate adjusted for relative movements in producer prices in the United States and Italy.

⁴ Not available.

⁵ Derived from Italian exchange rate data reported for July-August only.

Note.--January-March 1989 = 100.

Source: International Monetary Fund, International Financial Statistics, November 1992.

APPENDIX A

THE COMMISSION'S AND COMMERCE'S FEDERAL REGISTER NOTICES

[Investigation No. 731-TA-627
(Preliminary)]

**Pads for Woodwind Instrument Keys
from Italy**

AGENCY: United States International
Trade Commission.

ACTION: Institution and scheduling of
preliminary antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-627 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Italy of pads for woodwind instrument keys that are alleged to be sold in the United States at less than fair value.¹ The Commission must complete preliminary antidumping investigations in 45 days, or in this case by December 7, 1992.

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

EFFECTIVE DATE: October 21, 1992.

FOR FURTHER INFORMATION CONTACT:
Woodley Timberlake (202-205-3188),
Office of Investigations, U.S.
International Trade Commission, 500 E
Street SW., Washington, DC 20436.
Hearing-impaired persons can obtain
information on this matter by contacting
the Commission's TDD terminal on 202-
205-1810. Persons with mobility
impairments who will need special
assistance in gaining access to the
Commission should contact the Office of
the Secretary at 202-205-2000.

SUPPLEMENTARY INFORMATION:

¹ Pads for woodwind instrument keys are affixed to the keys of various woodwind instruments, e.g., saxophones, clarinets, oboes, and flutes. Such pads are provided for in subheading 9209.99.40 of the Harmonized Tariff Schedule of the United States (HTS).

Background

This investigation is being instituted in response to a petition filed on October 21, 1992, by Prestini Musical Instruments Corporation, Nogales, AZ.

Participation in the Investigation and Public Service List

Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in §§ 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the Federal Register. The Secretary will prepare a public service list contacting 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.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this preliminary investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than seven (7) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on November 12, 1992, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Woodley Timberlake (202-205-3188) not later than November 9, 1992, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before

November 17, 1992, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

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

Issued: October 28, 1992.

By order of the Commission.

Paul R. Bardos,

Acting Secretary.

[FR Doc. 92-28287 Filed 10-28-92; 8:45 am]

BILLING CODE 7020-02-M

Tariff Act of 1930, as amended (the Act), and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and because the petition was filed on behalf of the U.S. industry producing the product subject to this investigation. If any interested party, as described under paragraphs (C), (D), (E) or (F) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, it should file a written notification with the Assistant Secretary for Import Administration.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements are contained in 19 CFR 353.14 (1992).

Case History

On September 21, 1984, the Department published in the *Federal Register* (49 FR 37137) an antidumping duty order on pads from Italy. In 1986, the petitioner requested that the Department conduct an administrative review for the manufacturers or exporters covered by the order at that time.

When this review was initiated, the Department's 1984 antidumping duty order was the subject of litigation. On June 12, 1986, the United States Court of International Trade (CIT) found that the Department had erred in certain respects and remanded the final determination for a redetermination on those pads manufactured by Pisoni. As a result of those remand proceedings, the Department found that pads from Italy, manufactured by Pisoni, were not being, nor were likely to be, sold in the United States at less than fair value. On September 15, 1986, the CIT affirmed the Department's redetermination on remand. On November 5, 1986, the Department published in the *Federal Register* (51 FR 40239) a partial revocation of the antidumping duty order on pads with regard to merchandise produced by Pisoni. As a consequence of this revocation, the Department terminated the review which was initiated on September 8, 1986 with respect to Pisoni.

Scope of Investigation

The products covered by this investigation are pads for woodwind instrument keys, which are

[A-475-810]

Initiation of Antidumping Duty Investigation; Pads for Woodwind Instrument Keys From Italy Manufactured by Luciano Pisoni Accessori Strumenti Musicali A Fiato

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: November 17, 1992.

FOR FURTHER INFORMATION CONTACT: John Gloninger, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 462-2778.

INITIATION OF INVESTIGATION:

The Petition

On October 21, 1992, we received a petition filed in proper form by Prestini Musical Instrument Company (petitioner). A supplement to the petition was received on November 3, 1992. In accordance with 19 CFR 353.12, petitioner alleges that pads for woodwind instrument keys (pads) from Italy manufactured by Luciano Pisoni Accessori Strumenti Musicali A Fiato (Pisoni) are being, or likely to be, sold in the United States at less than fair value within the meaning of section 731 of the

manufactured by Pisoni. Pads for woodwind instrument keys covered by the scope of this investigation are currently classifiable under the following subheadings of the Harmonized Tariff Schedule of the United States (HTS): 9209.99.4040 and 9209.99.4080. Although the HTS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

United States Price and Foreign Market Value

Petitioner based its estimate of United States Price (USP) on an export price list from Pisoni, dated January 1, 1992, which listed new prices for all Pisoni pads for all export markets. Because they are wholesale ex-works prices, no adjustments were necessary.

Petitioner based its estimate of Foreign Market Value (FMV) on a price list from Pisoni, dated January 16, 1992. The prices are wholesale prices which are IVA (VAT) exclusive and are f.o.b. plant site in Italy. Therefore, no adjustments were necessary.

The range of dumping margins of pads based on price-to-price comparisons alleged by petitioner is 15.9%–68.8%.

Critical Circumstances

Petitioner also alleges that "critical circumstances" exist, within the meaning of section 733(e) of the Act, with respect to imports of the subject merchandise manufactured by Pisoni.

Initiation of Investigation

We have examined the petition of pads from Italy manufactured by Pisoni and have found that it meets the requirements of section 732(b) of the Act. Because the original antidumping duty order was revoked with respect to Pisoni, and because we now have a reasonable basis to believe or suspect that Pisoni is now selling at less than fair value, we are initiating an antidumping duty investigation to determine whether imports of pads from Italy manufactured or exported by Pisoni are being, or are likely to be, sold in the United States at less than fair value.

Preliminary Determination by the International Trade Commission

The International Trade Commission (ITC) will determine by December 5, 1992, whether there is a reasonable indication that imports of pads from Italy manufactured by Pisoni are materially injuring, or threaten material injury to, a U.S. industry. A negative ITC determination will result in the investigation being terminated;

otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act and 19 CFR 353.13(b).

Dated: November 10, 1992.

Rolf Th. Lundberg, Jr.,
Acting Assistant Secretary for Import
Administration.

[FR Doc. 92-27846 Filed 11-16-92; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

LIST OF PARTICIPANTS IN THE PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-627 (Preliminary)

PADS FOR WOODWIND INSTRUMENT KEYS FROM ITALY

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigation on November 12, 1992, in the main hearing room of the USITC Building, 500 E Street, SW, Washington, DC.

In support of the imposition of antidumping duties

Prestini Musical Instruments Corp.--Petitioner (*pro se*)

Giuseppe Prestini, president, Prestini Musical Instruments Corp.

In opposition to the imposition of antidumping duties

Klayman & Associates--Counsel

Washington, DC

on behalf of--

Enzo Pizzi, Inc. and Music Center s.n.c. di Luciano Pisoni & C.

Ronald Pizzi, Enzo Pizzi, Inc.

Luciano Pisoni, president, Music Center s.n.c. di Luciano Pisoni & C.

Cinzia Boniatti, marketing and sales manager, Music Center s.n.c. di Luciano Pisoni & C. Inc.

Larry Klayman--OF COUNSEL

APPENDIX C

SUMMARY DATA CONCERNING THE U.S. MARKET

Table C-1

Pads (bladder and leather) for woodwind instrument keys: Summary data concerning the U.S. market, 1989-91, January-June 1991, and January-June 1992

(Quantity=1,000 pieces, value=1,000 dollars, unit values and unit labor costs are per piece, period changes=percent, except where noted)

Item	Reported data					Period changes			
	1989	1990	1991	Jan.-June--		1989-91	1989-90	1990-91	1991-92
				1991	1992				
	*	*	*	*	*	*	*		

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

APPENDIX D

COMMENTS RECEIVED FROM U.S. PRODUCERS ON THE IMPACT OF IMPORTS
OF PADS FOR WOODWIND INSTRUMENT KEYS FROM ITALY ON THEIR GROWTH,
INVESTMENT, ABILITY TO RAISE CAPITAL, OR EXISTING
DEVELOPMENT AND PRODUCTION EFFORTS, INCLUDING EFFORTS TO
DEVELOP A DERIVATIVE OR MORE ADVANCED VERSION OF THE PRODUCT

The Commission requested U.S. producers to describe any actual or anticipated negative effects of pads for woodwind instrument keys from Italy on existing development and production efforts, growth, investment, and ability to raise capital. Prestini's comments are as follows:

1. Since January 1, 1989, has your firm experienced any actual negative effects on its growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product, as a result of imports of pads for woodwind instrument keys from Italy?

"***."

2. Does your firm anticipate any negative impact of imports of pads for woodwind instrument keys from Italy?

"***."

3. Has the scale of capital investments undertaken been influenced by the presence of imports of pads for woodwind instrument keys from Italy?

"***."