

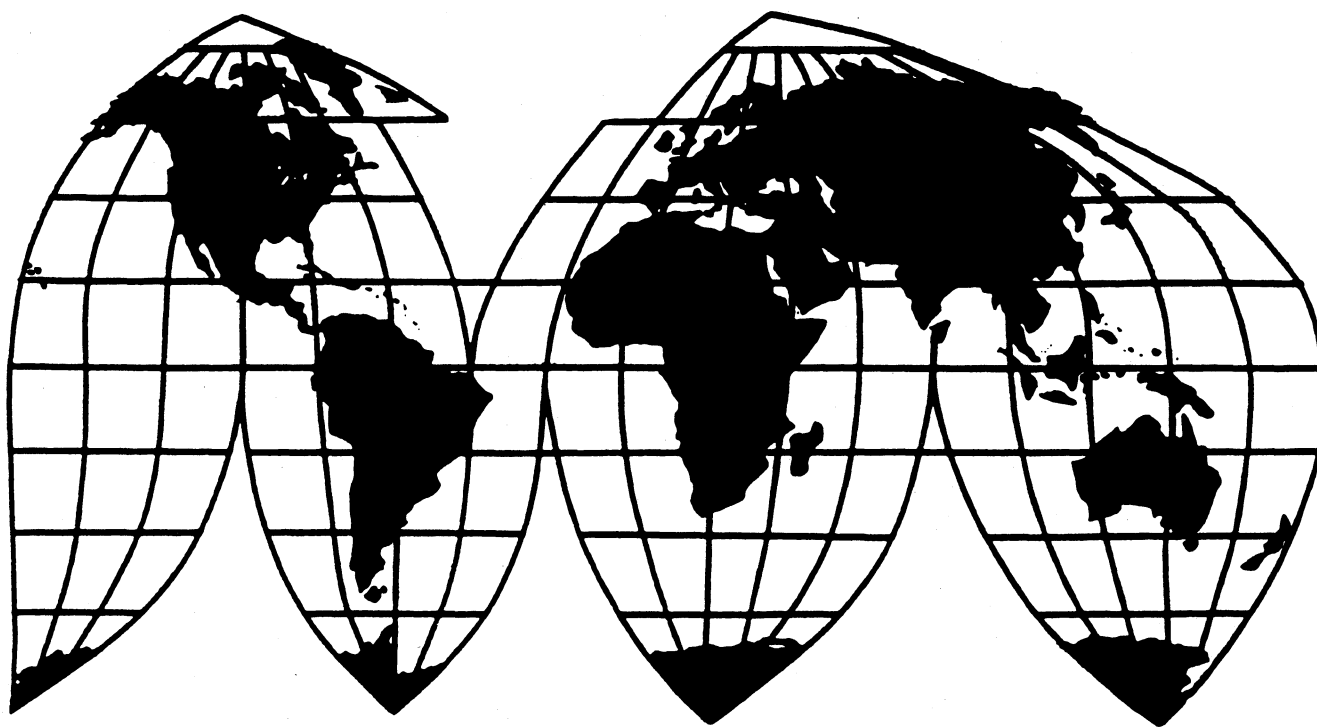
# Wheel Inserts from Taiwan

Investigation No. 731-TA-721 (Preliminary)

Publication 2824

October 1994

**U.S. International Trade Commission**



# **U.S. International Trade Commission**

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# **U.S. International Trade Commission**

Washington, DC 20436

## **Wheel Inserts from Taiwan**



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# CONTENTS

	<u>Page</u>
Part I: Determination and views of the Commission . . . . .	I-1
Determination . . . . .	I-3
Views of the Commission . . . . .	I-5
Additional views of Vice Chairman Janet A. Nuzum and Commissioner Lynn M. Bragg . . . . .	I-21
Dissenting views of Commissioner Newquist . . . . .	I-27
Part II: Information obtained in the investigation . . . . .	II-1
Introduction . . . . .	II-3
The product . . . . .	II-4
Description . . . . .	II-4
Uses . . . . .	II-4
Manufacturing processes . . . . .	II-6
Substitute products . . . . .	II-7
U.S. tariff treatment . . . . .	II-7
The nature and extent of alleged sales at LTFV . . . . .	II-8
The U.S. market . . . . .	II-8
U.S. producers . . . . .	II-9
The petitioner . . . . .	II-10
Automatic Components . . . . .	II-11
Dirksen Screw Products Co. . . . .	II-11
Greer Stop Nut . . . . .	II-12
Spartan Manufacturing . . . . .	II-12
Torx Products . . . . .	II-12
Plating subcontractors . . . . .	II-12
U.S. importers . . . . .	II-13
Channels of distribution . . . . .	II-14
Apparent U.S. consumption . . . . .	II-14
Consideration of alleged material injury . . . . .	II-14
U.S. capacity and production . . . . .	II-16
U.S. producers' shipments . . . . .	II-16
U.S. producers' inventories . . . . .	II-17
U.S. employment, wages, and productivity . . . . .	II-17
Financial experience of U.S. producers . . . . .	II-18
Overall establishment operations . . . . .	II-18
Operations on wheel inserts . . . . .	II-18
Investment in productive facilities . . . . .	II-19
Capital expenditures . . . . .	II-20
Research and development expenses . . . . .	II-20
Capital and investment . . . . .	II-20
Consideration of the question of threat of material injury . . . . .	II-21
U.S. importers' inventories . . . . .	II-22
Ability of the producers in Taiwan to generate exports and the availability of export markets other than the United States . . . . .	II-23
Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury . . . . .	II-24
U.S. imports . . . . .	II-24
U.S. market penetration by the subject imports . . . . .	II-24
Prices . . . . .	II-26
Marketing characteristics . . . . .	II-26
Product comparisons . . . . .	II-26

## CONTENTS

	<u>Page</u>
<b>Part II: Information obtained in the investigation--Continued</b>	
Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury--Continued	
Prices--Continued	
Questionnaire price data . . . . .	II-27
Price trends . . . . .	II-27
Price comparisons . . . . .	II-29
Exchange rates . . . . .	II-29
Lost sales . . . . .	II-29
 <b>Appendixes</b>	
A. <i>Federal Register</i> notices . . . . .	A-1
B.   List of participants in the conference . . . . .	B-1
C.   Summary data . . . . .	C-1
D.   Letter *** from Consolidated to *** . . . . .	D-1
E.   Letter from Consolidated's *** to *** . . . . .	E-1
 <b>Figures</b>	
1. Wheel inserts: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1991-93 . . . . .	II-14
2. Wheel inserts: Market shares of U.S. shipments of domestic product and U.S. shipments of imports by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994 . . . . .	II-26
3. Average net delivered selling prices of U.S.-produced and imported products 1 and 2 from Taiwan, by products, by suppliers, and by quarters, Jan. 1991-June 1994 . . . . .	II-28
4. Average net delivered purchase prices of imported products 1 and 2 from Taiwan, by products, by purchasers, and by quarters, Jan. 1991-June 1994 . . . . .	II-28
5. Exchange rates: Indexes of the nominal and real exchange rates of the currency of Taiwan relative to the U.S. dollar, by quarters, Jan. 1991-June 1994 . . . . .	II-30
C-1. Wheel inserts: Summary data for the U.S. market, 1991-93, Jan.-June 1993, and Jan.-June 1994 . . . . .	C-4
 <b>Tables</b>	
1. Wheel inserts: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1991-93, Jan.-June 1993, and Jan.-June 1994 . . . . .	II-15
2. Wheel inserts: U.S. capacity, production, and capacity utilization, by producers, 1991-93, Jan.-June 1993, and Jan.-June 1994 . . . . .	II-16
3. Wheel inserts: U.S. producers' shipments, by producers, 1991-93, Jan.-June 1993, and Jan.-June 1994 . . . . .	II-17
4. Wheel inserts: End-of-period inventories of U.S. producers, 1991-93, Jan.-June 1993, and Jan.-June 1994 . . . . .	II-17
5. Average number of production and related workers in Consolidated's establishment wherein wheel inserts are produced, hours worked, total compensation and hourly total compensation paid to such employees, productivity, and unit labor costs, by products, 1991-93, Jan.-June 1993, and Jan.-June 1994 . . . . .	II-17

## CONTENTS

	<u>Page</u>
<b>Tables--Continued</b>	
6. Income-and-loss experience of U.S. producers on the overall operations of their establishments wherein wheel inserts are produced, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	II-18
7. Income-and-loss experience of U.S. producers on their operations producing wheel inserts, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	II-19
8. Value of assets and return on assets of Consolidated's establishment wherein wheel inserts are produced, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	II-19
9. Capital expenditures by Consolidated, by products, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	II-20
10. Research and development expenses of Consolidated, by products, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	II-20
11. Wheel inserts: End-of-period inventories of U.S. importers, by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	II-22
12. Wheel inserts: U.S. imports, by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	II-25
13. Wheel inserts: Market shares of U.S. shipments of domestic product and U.S. shipments of imports by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	II-26
14. Average net delivered selling prices and quantities of U.S.-produced and imported products 1 and 2 from Taiwan, by products, by suppliers, and by quarters, Jan. 1991-June 1994 .....	II-28
15. Average net delivered purchase prices and quantities of imported products 1 and 2 from Taiwan, by products, by types of purchasers, by purchasers, and by quarters, Jan. 1991-June 1994 .....	II-28
C-1. Wheel inserts: Summary data concerning the U.S. market, 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	C-3
C-2. Wheel inserts: Summary data concerning the U.S. market (with "producer" data for the U.S. industry excluding Consolidated), 1991-93, Jan.-June 1993, and Jan.-June 1994 .....	C-5

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.

## GLOSSARY OF ABBREVIATIONS

Act . . . . .	Tariff Act of 1930
AIT . . . . .	American Institute in Taiwan
Anmax . . . . .	Anmax Industrial Co., Ltd.
Automatic . . . . .	Automatic Components
Auto Tech . . . . .	Auto Tech Industries, Inc.
Buxton . . . . .	Buxton International Corp.
China . . . . .	People's Republic of China
Commission . . . . .	U.S. International Trade Commission
Commerce . . . . .	U.S. Department of Commerce
Consolidated . . . . .	Consolidated International Automotive, Inc.
Customs . . . . .	U.S. Customs Service
Dirksen . . . . .	Dirksen Screw Products Co.
Elco . . . . .	Elco Industries, Inc.
Gardena . . . . .	Gardena Plating Co., Inc.
GATT . . . . .	General Agreement on Tariffs and Trade
Greer . . . . .	Greer Stop Nut
HTS . . . . .	Harmonized Tariff Schedule of the United States
ID . . . . .	Inside diameter
LTFV . . . . .	Less than fair value
Michigan Metal . . . . .	Michigan Metal Coating Co.
Sav-On . . . . .	Sav-On Plating, Inc.
Spartan . . . . .	Spartan Manufacturing
Torx . . . . .	Torx Products



**PART I**  
**DETERMINATION AND VIEWS OF THE COMMISSION**



# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-721 (Preliminary)

## WHEEL INSERTS FROM TAIWAN

### Determination

On the basis of the record<sup>1</sup> developed in the subject investigation, the Commission determines,<sup>2</sup> pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from Taiwan of wheel inserts,<sup>3</sup> provided for in subheading 8708.70.60 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).

### Background

On September 15, 1994, a petition was filed with the Commission and the Department of Commerce (Commerce) by Consolidated International Automotive, Inc., Los Angeles, CA. The petition alleged that an industry in the United States is being materially injured and is threatened with further material injury, and cited the possibility that the establishment of an industry producing wheel inserts in the United States is materially retarded, by reason of allegedly LTFV imports from the People's Republic of China (China) and Taiwan of wheel inserts. Accordingly, effective September 15, 1994, the Commission instituted antidumping investigations Nos. 731-TA-720 and 721 (Preliminary).<sup>4</sup>

Notice of the institution of the Commission's investigations 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 September 22, 1994 (59 FR 48639). The conference was held in Washington, DC, on October 6, 1994, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

<sup>2</sup> Commissioner Newquist dissenting.

<sup>3</sup> The items covered by the scope of Commerce's investigation are wheel inserts, also referred to as lug hole inserts and insert bushings, made from steel, aluminum, brass, or zinc. A wheel insert is a washer-like product with a circular collar that protrudes into a stud hole to provide a protective seat between a lug nut and an aluminum or alloy wheel mounted on ground transportation vehicles. A wheel insert can be heat-treated or non-heat-treated, with or without knurls, and with or without surface coatings. Surface coatings include, but are not limited to, chrome plating, nickel plating, zinc plating (with or without wax coating), oxide coating, and powder coating.

<sup>4</sup> On October 5, 1994, the petitioner filed a letter with the Commission and Commerce withdrawing the petition concerning China. Accordingly, effective October 5, 1994, the Commission discontinued its antidumping investigation concerning wheel inserts from China (inv. No. 731-TA-720 (Preliminary)).



## Views of the Commission

Based on the record in this preliminary investigation, we determine<sup>1</sup> that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports of wheel inserts from Taiwan that are allegedly sold in the United States at less than fair value ("LTFV").

### I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping duty investigations requires us to determine, based upon the best information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of the allegedly LTFV imports.<sup>2</sup> In applying this standard, we weigh the evidence before us and determine whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that any contrary evidence will arise in a final investigation."<sup>3</sup>

### II. LIKE PRODUCT AND DOMESTIC INDUSTRY

#### A. Background and Product Description

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded by reason of the subject imports, we first define the "like product" and the "industry." Section 771(4)(A) of the Tariff Act of 1930 (the "Act") 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 total domestic production of that product."<sup>4</sup> In turn, 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."<sup>5</sup>

Our decision regarding the appropriate like product(s) in an investigation is essentially a factual determination, and we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.<sup>6</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based upon the facts of a particular

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<sup>1</sup> Commissioner Newquist dissents from this determination. See "Dissenting Views of Commissioner Newquist." He joins in the discussion of like product, domestic industry, related parties, and whether the establishment of an industry is materially retarded.

<sup>2</sup> 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986); Calabrian Corp. v. U.S. Int'l Trade Comm'n, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

<sup>3</sup> American Lamb, 785 F.2d at 1001; see also Torrington Co. v. United States, 790 F. Supp. 1161, 1165 (Ct. Int'l Trade 1992), aff'd, 991 F.2d 809 (Fed. Cir. 1993).

<sup>4</sup> 19 U.S.C. § 1677(4)(A).

<sup>5</sup> 19 U.S.C. § 1677(10).

<sup>6</sup> See Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("[E]very like product determination 'must be made on the particular record at issue' and the 'unique facts of each case.'"). In analyzing like product issues, the Commission generally considers six factors, including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities and production employees; and (6) where appropriate, price. Calabrian, 794 F. Supp. at 382 n.4.

investigation. Generally, we require "clear dividing lines among possible like products" and disregard minor variations.<sup>7</sup>

The imported merchandise subject to this investigation has been defined by the Department of Commerce as:

wheel inserts, also referred to as lug hole inserts and insert bushings, made from steel, aluminum, brass or zinc. A wheel insert is a washer-like product with a circular collar that protrudes into a stud hole to provide a protective seat between a lug nut and an aluminum or alloy wheel mounted on ground transportation vehicles. A wheel insert can be heat-treated or non heat-treated, with or without knurls, and with or without surface coatings. Surface coatings include, but are not limited to, chrome plating, nickel plating, zinc plating (with or without wax coating), oxide coating and powder coating.<sup>8</sup>

Wheel inserts are designed primarily to protect aluminum and alloy wheels used on automobiles, trucks, vans, buses, or trailers from being damaged by the lug nuts which secure the wheel to the vehicle.<sup>9</sup> Steel is the primary input used to manufacture wheel inserts, but they can also be made from aluminum, brass, or zinc.<sup>10</sup> They are usually circular in form with a hole through the middle.<sup>11</sup> Wheel inserts are produced in a variety of sizes, although the most common type of wheel insert used by the wheel industry has an inside diameter of 0.59 inches to 0.63 inches made from carbon steel.<sup>12</sup> Wheel inserts are usually coated with a surface plating of chrome, nickel, zinc, oxide, dacromet, or powder.<sup>13</sup>

The petitioner has urged that the like product be defined as wheel inserts, because there are no other products that perform the same functions.<sup>14</sup> The evidence on the record supports petitioner's proposed like product definition. Accordingly, we find that the like product is defined as wheel inserts, and the domestic industry is defined as all domestic producers of wheel inserts.<sup>15 16</sup>

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<sup>7</sup> Torrington, 747 F. Supp. at 748-49.

<sup>8</sup> 59 Fed. Reg. 51578 (Oct. 12, 1994).

<sup>9</sup> Petition at 4; Confidential Report ("CR") at I-5-6, Public Report ("PR") at II-4; Preliminary conference transcript ("Tr.") at 7 and 18.

<sup>10</sup> CR at I-5 & n.7, PR at II-4 & n.7; Petition at 4; Petitioner's Supplemental Submission to Commerce (Sept. 29, 1994) at 9.

<sup>11</sup> Petition at 4.

<sup>12</sup> Petition at 5; Petitioner's Supplemental Submission to Commerce (Sept. 29, 1994) at 6; CR at I-18, I-66, and I-69, PR at II-10 and II-28; Tr. at 9. The UW630 (inside diameter of 0.63 inches) comprised \*\*\* percent of petitioner's total sales of wheel inserts during the period of investigation, and petitioner stated that this type of insert represents more than 95 percent of the existing market. CR at I-18, PR at II-10; Petitioner's Postconference Brief at 4. All of petitioner's sales of the UW630 during the period of investigation, however, consisted of the UW630 that petitioner imported from Taiwan. \*\*\*. CR at I-18 n.59, PR at II-10 n.59.

<sup>13</sup> CR at I-5-6, PR at II-4.

<sup>14</sup> Petition at 21.

<sup>15</sup> In its petition, petitioner erroneously informed the Commission (and Commerce) that it was the sole domestic producer of wheel inserts. During the course of the investigation, Commission staff discovered that several other producers in addition to petitioner existed in the U.S. market, and that petitioner in fact represented only \*\*\* percent of total U.S. production during the period of investigation.

<sup>16</sup> In this investigation, petitioner and other domestic producers have indicated that they produce wheel inserts but contract with unaffiliated firms to perform plating operations. These contractors plate the wheel inserts with chrome, nickel, zinc, oxide, dacromet, gold cadmium, or powder to prevent corrosion. CR at I-5-6, I-11, I-18, I-22, I-23, and I-24, PR at II-4, II-7, II-10, II-11, and II-12. We have considered whether the facts warrant including platers of wheel inserts in the domestic industry, and we conclude that they do not. Neither the petitioner nor any other domestic producers or platers requested that the Commission include platers in the domestic industry.

(continued...)

## B. Related Parties

This investigation presents the unusual situation where the sole petitioner and party to this investigation, representing \*\*\* of domestic production of wheel inserts, purchased \*\*\* of subject imports during the period of investigation. An affiliate of the petitioner, Auto Tech Industries, Inc. ("Auto Tech"), imported substantial quantities of wheel inserts from Taiwan that were marketed by the petitioner during the period of investigation.<sup>17</sup> Thus, petitioner is a related party within the meaning of the antidumping duty statute.<sup>18</sup>

<sup>16</sup> (...continued)

In deciding whether finishing operations constitute domestic production, the Commission applies a methodology modeled on the analysis it uses to determine whether a company is a domestic producer by examining the overall nature of a firm's production-related activities in the United States. Specifically, the Commission has examined such factors as:

- (1) the source and extent of the finisher's capital investment;
- (2) the technical expertise involved in the finishing activity;
- (3) the value added to the product by the finishing operations;
- (4) employment levels of the finishers;
- (5) the quantities and types of parts utilized in the finishing operations; and
- (6) any other costs and activities of the finishers.

See Certain Cased Pencils from the People's Republic of China and Thailand, Inv. Nos. 731-TA-669-670 (Final), USITC Pub. 2816 (Oct. 1994) at 23 n.23; Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain, Inv. Nos. 701-TA-363-364 and 731-TA-711-717 (Preliminary), USITC Pub. 2803 (Aug. 1994) at I-12 n.45; Stainless Steel Wire Rod from India, Inv. No. 731-TA-638 (Final), USITC Pub. 2704 at I-9-10 n.33 (November 1993).

In this investigation, reported capital investment in plating activities ranges between \*\*\*. These figures are not probative of any significant capital investment in wheel inserts production, however, because platers perform operations on a myriad of products, and the plating of wheel inserts in relation to the overall operations of a plater is minuscule. CR at I-19 n.65, I-25 n.82, and I-26-27; PR at II-10 n.65, II-12 n.82, and II-13. The value added to the wheel inserts by the plating operations also is very low, representing \*\*\* percent of the overall cost to produce wheel inserts. CR at I-19 & n.63, I-22, I-25 n.82, I-26, and I-46, PR at II-10 n.63, II-11, II-12 n.82, II-13, and II-19. Furthermore, there is no evidence that a large degree of technical expertise is necessary to plate wheel inserts, or that a relatively large number of employees is involved in plating activities. CR at I-26 & n.83, PR at II-13 & n.83.

<sup>17</sup> The petitioner and Auto Tech were both \*\*\*. CR at I-18 and I-42, PR at II-10 and II-18. Auto Tech \*\*\*. CR at I-17-18 and I-42, PR at II-10 and II-18.

<sup>18</sup> 19 U.S.C. § 1677(4)(B). Once the Commission finds that a domestic producer is a related party under the meaning of the statute, it has the discretion to exclude such producer from the domestic industry if it finds that "appropriate circumstances" exist. The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and
- (3) the position of the related producer vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered whether each company's books are kept separately from its "relations" and whether the primary interest of the related producer lies in domestic production or importation. In addition, the Commission has considered other potentially distorting factors, such as the ratio of import shipments to U.S. production for each producer and the length of time that the producer has been engaged in domestic production. See, e.g., Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, 731-TA-520 and 520 (Final), USITC Pub. 2528 at 11-12; Ferrosilicon from Russia and Venezuela, Inv. Nos. 731-TA-568 and 570; Fresh Garlic from the People's Republic of China, Inv. No. 731-TA-683 (Preliminary), USITC Pub. 2755 at I-14 (Mar. 1994); Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 at 12 (1986).

In our view, a serious issue is presented in this investigation concerning whether "appropriate circumstances" exist to exclude petitioner's data from our injury and threat of injury analyses given that \*\*\* percent of petitioner's sales were of subject imports, petitioner represents \*\*\* percent of domestic production from January 1991 to June 1994, and one of petitioner's primary reasons for purchasing the imports from Taiwan was to benefit from cheaper prices.<sup>19</sup> Although petitioner did cease importing the Taiwan product as of \*\*\*, we find it significant that in the most recent period for which data were collected (January through June 1994), over \*\*\* percent of petitioner's total U.S. shipments were of wheel inserts that petitioner had previously imported from Taiwan.<sup>20</sup>

We have decided not to exclude petitioner from the domestic industry in this investigation.<sup>21</sup> Petitioner argued that it should not be excluded as a related party.<sup>22</sup> Because petitioner is the sole party to this preliminary investigation, we have given petitioner the benefit of defining the domestic industry in the manner petitioner has advocated.<sup>23 24</sup> We have determined not to exclude petitioner from this industry, however, we consider its importation of the subject merchandise to be an important condition of competition, pursuant to 19 U.S.C. § 1677(7)(C)(iii), as discussed further below.

**C. The Domestic Industry is Established and a Material Retardation Analysis is Therefore Not Applicable**

Petitioner stated in its postconference brief that "[w]ith the low level of production in 1994, the Commission can and should consider material retardation."<sup>25</sup> However, petitioner provided no further argument or analysis regarding this issue. Based on our evaluation of the record evidence, we find that the circumstances do not warrant a finding that the establishment of the industry is materially retarded by reason of imports of wheel inserts from Taiwan.

Under a material retardation analysis, the Commission determines whether the establishment of an industry in the United States is materially retarded by reason of the imports subject to investigation.<sup>26</sup> The statute does not provide any further elaboration or indicate how the Commission is to apply this provision. The Commission has stated that "the establishment of any new industry is so inherently unique that material retardation must always be examined on a case-by-case basis."<sup>27</sup>

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<sup>19</sup> See CR at I-17-18 and I-56, PR at II-10 and II-24; Petitioner's Postconference Brief at 9; Tr. at 32 and 74.

<sup>20</sup> Tables 1 and 3, CR at I-18, I-30, and I-36, PR at II-10, II-15, and II-17.

<sup>21</sup> Vice Chairman Nuzum and Commissioner Bragg find that appropriate circumstances do exist in this case to exclude the petitioner, Consolidated International Automotive, Inc. ("Consolidated"), from the domestic industry, and analyzed the record both including and excluding the petitioner. In so doing, they find resolution of the related party issue not to be dispositive and make a negative determination whether Consolidated is included or excluded. See "Additional Views of Vice Chairman Janet A. Nuzum and Commissioner Lynn M. Bragg," *infra*, at I-21.

<sup>22</sup> Petition at 26-27.

<sup>23</sup> Chairman Watson, Vice Chairman Nuzum, and Commissioner Bragg note, however, that their determination would not change regardless of whether petitioner is excluded from the domestic industry or not. In this regard, Chairman Watson concurs in the analyses of no reasonable indication of material injury and no reasonable indication of threat of material injury by reason of the subject imports as set forth in sections II and III of the "Additional Views of Vice Chairman Janet A. Nuzum and Commissioner Lynn M. Bragg," *infra*, at I-21.

<sup>24</sup> Commissioner Newquist notes that due to the lack of certain data in this preliminary investigation, the sounder approach, in his view, is not to exclude the petitioner from the domestic industry.

<sup>25</sup> See Petitioner's Postconference Brief at 11.

<sup>26</sup> 19 U.S.C. § 1673b(a)(2).

<sup>27</sup> Benzyl Paraben from Japan, Inv. No. 731-TA-462 (Final), USITC Pub. 2355 (Feb. 1991) at 7-8;

Certain Dried Salted Codfish from Canada, Inv. No. 731-TA-199 (Final), USITC Pub. 1711 (July 1985) at 4, (continued...)



In prior investigations, the Commission has first determined whether a domestic industry is "established," and second, if the industry is not "established," determined whether the establishment of the U.S. industry has been materially retarded by the allegedly LTFV imports.<sup>28</sup> If the Commission finds that the industry is "established," the material retardation standard is not applied, and the Commission instead focuses on the standards of material injury and threat of material injury.<sup>29</sup>

Where an industry is already producing a product, the Commission considers whether that industry has "stabilized" its operations.<sup>30</sup> If the Commission finds such stabilization has occurred, it then considers the domestic industry to be established. The Commission has looked at several aspects of domestic operations in assessing whether stabilization has occurred, including: (1) the date production began; (2) whether production has been steady or start-and-stop; (3) the amount of domestic production compared to the size of the domestic market as a whole; (4) whether the domestic industry has reached the break-even point; and (5) whether the activities involve the establishment of a new industry or merely a new product line of an established industry.<sup>31</sup>

An application of the above factors to this industry leads us to conclude that the domestic industry has stabilized its operations and is, therefore, established. Production of wheel inserts occurred steadily throughout the period of investigation by at least three of the domestic producers (including the petitioner), and since the late 1980s by at least the petitioner and Dirksen Screw Products Co. ("Dirksen"). Petitioner and Dirksen together accounted for \*\*\* percent of reported domestic production during the period of investigation.<sup>32</sup> U.S. producers' share of domestic consumption remained relatively stable between 1991 to 1993, averaging approximately \*\*\* percent.<sup>33</sup> In addition, the domestic wheel inserts industry as a whole has passed its break-even point

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<sup>27</sup> (...continued)

aff'd, BMT Commodity Corp. v. United States, 667 F. Supp. 880 (1987), aff'd, 852 F. 2d 1285 (Fed. Cir. 1988), cert. denied, 109 S. Ct. 1120 (1989).

<sup>28</sup> See, e.g., Certain Dried Salted Codfish, USITC Pub. 1711 at 4-5.

<sup>29</sup> Certain Copier Toner from Japan, Inv. No. 731-TA-373 (Preliminary), USITC Pub. 1960 (Mar. 1987) at 10 n.26; Pressure-Sensitive PVC Battery Covers from West Germany, Inv. No. 731-TA-452 (Preliminary), USITC Pub. 2265 (Mar. 1990) at 11 n.22; Fresh Chilled Atlantic Salmon from Norway, Inv. Nos. 701-TA-302 and 732-TA-454 (Preliminary), USITC Pub. 2272 (Apr. 1990) at 15 n.39. Material injury or threat of material injury and material retardation are mutually exclusive standards. If the industry is "established," the material injury or threat of material injury standard applies. If the industry is not established, the material retardation standard applies. See Pressure-Sensitive PVC Battery Covers, USITC Pub. 2265 at 11-12 n.22.

<sup>30</sup> Benzyl Paraben from Japan, Inv. No. 731-TA-462 (Preliminary), USITC Pub. 2303 (Aug. 1990) at 12; Certain Dried Salted Codfish, USITC Pub. 1711 at 4. Where no domestic producer has begun production, the Commission considers whether the industry has shown a "substantial commitment" to production. Certain Copier Toner, USITC Pub. 1960 at 10.

<sup>31</sup> Benzyl Paraben from Japan, Inv. No. 731-TA-462 (Final), USITC Pub. 2355 (Feb. 1991) at 9; Fresh Chilled Atlantic Salmon, USITC Pub. 2272 at 15-16; Pressure-Sensitive PVC Battery Covers, USITC Pub. 2265 at 12-13; Lime Oil from Peru, Inv. No. 303-TA-16 (Preliminary), USITC Pub. 1723 at 8 n.19 (July 1985); Fresh and Chilled Atlantic Salmon from Norway, Inv. No. 701-TA-302 (Final), USITC Pub. 2371 (Apr. 1991) at 10 n.40.

<sup>32</sup> See Table 2, CR at I-17, I-22, and I-32 n.95, PR at II-9, II-11, and II-14 n.95. Although certain producers have discontinued their production of wheel inserts, or have only recently begun commercial sales of the product, the Commission decides whether the industry as a whole is "established." Certain High-Information Content Flat Panel Displays and Display Glass Therefor from Japan, Inv. No. 731-TA-469 (Final), USITC Pub. 2413 (Aug. 1991) at 18-19.

<sup>33</sup> In terms of quantity, the U.S. producers' market share was \*\*\* percent in 1991, increasing to \*\*\* percent in 1992, and decreasing to \*\*\* percent in 1993. This share, however, was only \*\*\* percent in interim 1994 (January through June 1994) as compared with \*\*\* percent in interim 1993 (January through June 1993). Table 13, CR at I-59 and I-32 n.95, PR at II-26 and II-14 n.95.

and has reached profitability during the period of investigation.<sup>34</sup> Finally, wheel inserts are produced as just one of several product lines of established firms.<sup>35</sup>

Because we find that the domestic wheel inserts industry is established, we next consider whether there is a reasonable indication that the domestic wheel inserts industry is materially injured or threatened with material injury by reason of imports from Taiwan.<sup>36</sup>

### III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of allegedly LTFV imports,<sup>37</sup> we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>38</sup> These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the business cycle and conditions of competition distinctive to the industry."<sup>39</sup>

A significant condition of competition distinctive to this industry is the fact that domestic producers are typically small machine shops that produce wheel inserts on a job order basis. In general, wheel inserts represent only a small portion of these firms' total operations and producers of wheel inserts produce a myriad of other products on the same equipment and machinery.<sup>40</sup> For the most part, these machine shops do not have large and steady orders for wheel inserts due to a lack of significant demand in the market for the product. Furthermore, because of the small and fragmented nature of this market, purchasers and producers of wheel inserts do not appear to be aware of alternative suppliers of the product.<sup>41</sup> Several producers reported that they were not even aware of the presence of subject imports.<sup>42</sup> Consequently, there is relatively little head-to-head competition between the various domestic producers or between producers and importers of wheel inserts.

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<sup>34</sup> The positive net income indicates that the domestic producers have covered their fixed and variable costs for their sales of wheel inserts. See Table 7, CR at I-40 and I-42, PR at II-18.

<sup>35</sup> Petitioner stated that there are probably thousands of machine shops that have screw machines and/or header machines, which could easily produce wheel inserts. See CR at I-44, PR at II-19. One advantage of being an established firm that introduces a new product line is that the firm can promote sales of the new product through the same established distribution and marketing networks, and industry contacts, as for its other products. This offers an advantage by hastening the establishment of the new product. See, e.g., Benzyl Paraben from Japan, Inv. No. 731-TA-462 (Preliminary), USITC Pub. 2303 (Aug. 1990) at 14.

<sup>36</sup> Commissioner Newquist does not join in the remainder of this opinion.

<sup>37</sup> Chairman Watson, Commissioner Rohr, and Commissioner Crawford note that the Department of Commerce reported an alleged dumping margin of 46.28 percent. This margin was based on a comparison of U.S. price to foreign market value. In this case, foreign market value was based on a constructed value for wheel inserts produced on a screw machine. The costs of producing on a screw machine appear to be significantly higher than producing on a header machine. However, in response to questions from Commissioner Rohr, staff stated that all of the U.S. imports of wheel inserts from Taiwan were produced on a header machine. Therefore, the estimated dumping margin was not calculated for any of the known imports from Taiwan.

<sup>38</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>39</sup> Id.

<sup>40</sup> CR at I-44, PR at II-19. For the three producers representing about \*\*\* percent of production over the period of investigation, wheel inserts represented less than \*\*\* percent of their overall establishment net sales. Id.

<sup>41</sup> For example, remarkably, petitioner was unaware of any other producers of wheel inserts in the United States, believing itself to be the sole producer when in fact petitioner only represented \*\*\* percent of overall U.S. production of wheel inserts. See Petition at 4. \*\*\*. CR at I-64, PR at II-27. Similarly, it is also believed that another of petitioner's customers, \*\*\*, CR at I-21 n.72, PR at II-11 n.72.

<sup>42</sup> CR at I-24 n.76 and I-25, PR at II-12 n.76 and II-12; staff telephone interview with \*\*\*.

These factors also affected the Commission's data collection efforts and the data coverage. Because U.S. producers are small machine shops that consider wheel inserts a relatively insignificant portion of their business, several producers informed the Commission \*\*\*.<sup>43</sup> <sup>44</sup> Most notably, the majority of domestic producers reported that they were unable to provide information specific to the employment and capacity levels of their wheel inserts operations, due to the fact that they produced many different products on the same machinery used to produce wheel inserts, and because wheel inserts typically are produced on a custom order basis in relatively insignificant amounts.<sup>45</sup> The Commission, however, was able to obtain production, shipment, inventory, and financial data from domestic producers representing approximately \*\*\* percent of overall wheel insert production.

We do not find that capacity and employment levels are useful determinants of this industry's condition because of the noted allocation difficulties. In theory, a machine shop that produces wheel inserts could devote all of its production capacity and employees to wheel inserts at the expense of its other production lines, and anyone with a screw machine or header machine would thus have the capacity to produce thousands of wheel inserts per day.<sup>46</sup> In reality, however, machine shops devote very little capacity or employees to produce wheel inserts due to the limited demand for the product.<sup>47</sup>

Another condition of competition in this market is the current lack of significant demand for wheel inserts.<sup>48</sup> The record shows that purchasers view wheel inserts as optional items that they would not purchase if the price is too high.<sup>49</sup> Petitioner testified that wheel manufacturers would not buy wheel inserts unless they were relatively inexpensive and that for this reason petitioner was in

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<sup>43</sup> The Commission identified five domestic producers of wheel inserts which comprised all known U.S. production of wheel inserts during the period of investigation. CR at I-15, PR at II-9. Of these five domestic producers, only the petitioner and \*\*\*, which together represented about \*\*\* percent of total U.S. production during the period of investigation, indicated that they supported the petition. Notably, however, \*\*\*, \*\*\*, CR at I-24, PR at II-12. The Commission ascertained, through other sources and based on purchaser data, that \*\*\* represented approximately \*\*\* percent of U.S. production over the course of the investigation, and \*\*\*. Staff telephone interview with \*\*\*.

<sup>44</sup> This, combined with the multiple uses of the production equipment used to produce wheel inserts, suggests that these companies have satisfactory alternative uses for their production capacity.

<sup>45</sup> See CR at I-33 and I-38, PR at II-16 and II-17. Even petitioner \*\*\*, CR at I-38 n.100 and I-44, PR at II-17 n.100 and II-19. Petitioner reported that while its capacity to produce wheel inserts \*\*\* units annually, its capacity utilization rate was \*\*\*. Table 2, CR at I-34, PR at II-16. We note, however, \*\*\*, See Petition at 24.

<sup>46</sup> According to petitioner, thousands of machine shops have the equipment necessary to produce wheel inserts and the wheel inserts are an easy product to produce requiring very little additional capital investment or technical expertise. CR at I-16, PR at II-9; Tr. at 26 and 57.

<sup>47</sup> Petitioner reported that throughout the entire period of investigation \*\*\* was involved in the production of wheel inserts. CR at I-39, PR at II-17.

We do not believe that a final investigation would enable us to obtain more reliable employment or capacity information. The same stated difficulties producers faced in this preliminary investigation in reporting and providing allocations for employment and capacity for their wheel inserts production will continue to exist. The difficulties they encountered were not due to a lack of time to provide the data, but rather due to a lack of records caused by the relative insignificance of wheel inserts in their overall operations.

Nor do we believe a product line analysis would yield more probative results. An analysis of overall establishment employment and capacity data would not be indicative of conditions of the wheel inserts industry where wheel inserts constitute such a minor portion of overall operations.

<sup>48</sup> We note that the demand for wheel inserts is derived from the demand for the aluminum and alloy wheels that use these inserts. The majority of these wheels, however, do not use wheel inserts. CR at I-62, PR at II-26. Although U.S. consumption of wheel inserts increased somewhat from 1991 to 1993, it decreased substantially in interim 1994 compared with interim 1993. Table C-1, CR at C-3, PR at C-3. Certain major wheel insert purchasers stated that they were in the process of designing out wheel inserts in their wheels, and \*\*\*. See generally CR at I-11-13, I-21 n.72, and I-68-71, PR at II-7, II-11 n.72, and II-28-29.

<sup>49</sup> CR at I-62, PR at II-26.

the process of developing a new and less expensive type of wheel insert.<sup>50 51</sup> With respect to the growth potential of the wheel inserts market, petitioner strongly believes that demand for wheel inserts by wheel manufacturers is on the verge of expansion. There is little evidence to support petitioner's view, however. To the contrary, there is persuasive evidence on the record that some wheel insert purchasers are planning to "design out" and cease using wheel inserts on their wheels.<sup>52</sup>

A final and pivotal condition of competition in this industry is the fact that the petitioner was the \*\*\* importer of subject imports throughout the period of investigation. We note that petitioner's U.S. shipments on average were comprised of over \*\*\* percent imports and \*\*\* percent domestically produced wheel inserts.<sup>53</sup> Thus, the large percentage of total imports accounted for by petitioner's importation of the subject merchandise is a factor we have considered in our analysis of the domestic industry.

Having identified the conditions of competition specific to the wheel insert industry, we next turn to an examination of the specific performance indicators of this industry. In terms of both volume and value, domestic consumption of wheel inserts rose from 1991 to 1993, but declined in interim 1994 as compared with interim 1993.<sup>54</sup>

Domestic production of wheel inserts in terms of quantity rose from \*\*\* units in 1991 to \*\*\* units in 1992 and then declined to \*\*\* units in 1993, representing an overall decline of \*\*\* percent. Production in interim 1994 was \*\*\*.<sup>55</sup>

The volume of U.S. shipments of wheel inserts remained relatively stable from 1991 to 1993, increasing from \*\*\* units in 1991 to \*\*\* units in 1992 and then declining to \*\*\* units in 1993. The volume of shipments was lower in interim 1994 (\*\*\* units) as compared with interim 1993 (\*\*\* units). The value of these shipments followed a similar trend, although the value of shipments in 1993 remained above the value reported in 1991.<sup>56</sup> \*\*\* inventories of U.S.-produced wheel inserts during the period of investigation. \*\*\*.<sup>57</sup>

The wheel insert industry's net sales increased in value by \*\*\* percent from 1991 to 1993, but declined by \*\*\* percent in interim 1994 compared with interim 1993.<sup>58</sup> Specifically, net sales were \*\*\* in 1991, \*\*\* in 1992, and \*\*\* in 1993. Net sales were \*\*\* in interim 1994 compared with \*\*\* in interim 1993.<sup>59</sup> The industry's operating income declined by almost \*\*\* percent from

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<sup>50</sup> See Tr. at 74-76.

<sup>51</sup> Chairman Watson and Commissioner Crawford note that these market conditions are described as having a high price elasticity of demand. In other words, small increases in price can lead to large reductions in quantities produced, and vice-versa.

<sup>52</sup> See CR at I-21 & n.72 and I-58, PR at II-11 & n.72 and II-24. Petitioner reported that it is currently negotiating with \*\*\* for orders that could reach 0.75 million wheel inserts each month. However, when Commission staff contacted the two purchasers \*\*\*, staff found that the amount they agreed to purchase was much less than petitioner indicated and that \*\*\*. CR at I-21 and I-70, PR at II-11 and II-28. Another purchaser, \*\*\*. CR at I-68, PR at II-28. Additionally, we note that \*\*\*. \*\*\*. CR at I-8 n.20, PR at II-5 n.20.

<sup>53</sup> Tables 1 and 3, CR at I-30 and I-36, PR at II-15 and II-17.

<sup>54</sup> Consumption by volume rose from \*\*\*. Consumption by volume in interim 1994 was \*\*\* units, representing a decrease of \*\*\* compared with \*\*\* units in interim 1993. By value, consumption rose from \*\*\* in 1991 to \*\*\* in 1992 and to \*\*\* in 1993. Consumption in terms of value in interim 1994 was \*\*\* as compared with \*\*\* in interim 1993. Tables 1 and C-1, CR at I-30, I-32 n.95, and C-3, PR at II-15, II-14 n.95, and C-3.

<sup>55</sup> Tables 2 and C-1, CR at I-32 n.95, I-34, and C-3, PR at II-14 n.95, II-16, and C-3. The domestic industry data were adjusted to reflect the data provided by Automatic Components. See CR at I-32 n.95, PR at II-14 n.95.

<sup>56</sup> Tables 2 and 3, CR at I-32 n.95, I-34, and I-36, PR at II-14 n.95, II-16, and II-17. The value of shipments rose from \*\*\* in 1991 to \*\*\* in 1992, and then declined to \*\*\* in 1993. The value was \*\*\* in interim 1993 compared with \*\*\* in interim 1994. *Id.*

<sup>57</sup> Table 4, CR at I-37, PR at II-17.

<sup>58</sup> Table C-1, CR at C-3, PR at C-3.

<sup>59</sup> Table 7, CR at I-43, PR at II-19.

1991 to 1993, falling from an operating income of \*\*\* in 1991 to \*\*\* in 1993.<sup>60</sup> Similarly, there was also a decline of \*\*\* percent in interim 1994 \*\*\* compared with interim 1993 \*\*\*.<sup>61</sup> Operating income margins were \*\*\* percent in interim 1993.<sup>62</sup> Finally, the domestic wheel insert industry's cost of goods sold increased overall from 1991 to 1993 by \*\*\* percent, but was significantly lower in interim 1994 compared with interim 1993 by \*\*\*.<sup>63</sup> Cost of goods sold as a percentage of net sales was \*\*\* percent in 1991, \*\*\* percent in 1992, \*\*\* percent in 1993, and \*\*\* percent in interim 1994 compared with \*\*\* percent in interim 1993.<sup>64 65</sup>

#### IV. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

##### A. Legal Standard

In preliminary antidumping investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the allegedly LTFV imports.<sup>66</sup> We must consider the volume of imports, their effect on prices for the like product, and their impact on domestic producers of the like product, but only in the context of U.S. production operations.<sup>67</sup>

Although we may consider alternative causes of injury to the industry other than allegedly LTFV imports, we are not to weigh causes.<sup>68 69 70</sup> For the reasons discussed below, we find that there is no reasonable indication that the domestic industry producing wheel inserts is materially injured by reason of allegedly LTFV imports from Taiwan.

##### B. Volume of Subject Imports

In general, both the quantity and market share of imports from Taiwan increased from 1991 to 1993. We find it significant, however, that both the volume and market share of subject imports in interim 1994 -- the most recent period for which the Commission collected data -- were lower than in interim 1993. Specifically, the volume of subject imports increased from \*\*\* million units in 1991 to \*\*\* million units in 1993. Import volume was significantly lower, however, in interim 1994 \*\*\* than in interim 1993 \*\*\*.<sup>71</sup> The import market share followed a similar pattern, also increasing

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<sup>60</sup> Operating income in 1993 was \*\*\*. Table 7, CR at I-43, PR at II-19.

<sup>61</sup> Tables 7 and C-1, CR at I-43 and C-3, PR at II-19 and C-3.

<sup>62</sup> Table 7, CR at I-43, PR at II-19.

<sup>63</sup> Tables 7 and C-1, CR at I-43 and C-3, PR at II-19 and C-3.

<sup>64</sup> Tables 7 and C-1, CR at I-43 and C-3, PR at II-19 and C-3.

<sup>65</sup> Based on the generally worsening performance of the U.S. producers' shipments, production, profitability, and market share from 1991 to 1993, a period of increasing U.S. consumption, and in the interim period, Commissioner Rohr finds that the domestic industry producing wheel inserts is materially injured.

<sup>66</sup> 19 U.S.C. § 1673b(a).

<sup>67</sup> 19 U.S.C. § 1677(7)(B)(i).

<sup>68</sup> See, e.g., *Citrosuco Paulista, S.A. v. United States*, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

<sup>69</sup> For Chairman Watson, Vice Chairman Nuzum, and Commissioner Crawford's interpretations of the statutory requirement regarding causation, see *Certain Calcium Aluminate Cement and Cement Clinker from France*, Inv. No. 731-TA-645 (Final), USITC Pub. 2772 at I-14 n.67-69 (May 1994).

<sup>70</sup> Commissioner Rohr further notes that the Commission need not determine that imports are "the principal, a substantial, or a significant cause of material injury." S. Rep. 249, 96th Cong., 1st Sess. 57 and 74 (1979); see also, e.g., *Metallwerken Nederland B.V. v. United States*, 728 F. Supp. 730, 741 (Ct. Int'l Trade 1989); *Citrosuco Paulista, S.A. v. United States*, 704 F. Supp. at 1101.

<sup>71</sup> Table 12, CR at I-57, PR at II-25. We also note that \*\*\*. \*\*\*. CR at I-58, PR at II-24.

from 1991 to 1993, from \*\*\* percent in 1991 to \*\*\* percent in 1993. Market share also was significantly lower in interim 1994 (\*\*\* percent) than in interim 1993 (\*\*\* percent).<sup>72</sup>

In evaluating the volume and market share of the subject imports, we have taken into account the extent to which the petitioner itself imported wheel inserts from Taiwan. Although the volume of subject imports increased from 1991 to 1993, petitioner was responsible for the \*\*\* of those imports.<sup>73</sup>

We note that a large portion of the increase in imports from Taiwan in 1993, other than by petitioner, was due to a one-time purchase by \*\*\*, which has informed the Commission that it has \*\*\*.<sup>74</sup> Similarly, the only other purchaser of Taiwanese wheel inserts, \*\*\* has also indicated that it \*\*\*.<sup>75</sup>

We also find that there is only very limited evidence of any volume effects by the subject imports. This is due in part to the fragmented nature of the wheel inserts market, as discussed previously. Indeed, it appears that because of the limited knowledge of the participants in this industry respecting other sources of the product (both domestic and imported), most purchasers do not seek several sources of supply of wheel inserts, or competitive bids, but rather appear to purchase from a single supplier.<sup>76</sup> In this regard, there is very little evidence of any head-to-head competition between the different producers of wheel inserts, or between domestically produced and imported wheel inserts.<sup>77</sup>

The volume of subject imports was large throughout the period of investigation, particularly as compared to the volume of the domestic product. Thus, we find that the volume of subject imports is significant, but its significance is diminished by the most recent and dramatic decline in volume, the limited head-to-head competition, and the fact that petitioner accounted for \*\*\* percent of the subject imports.

### C. Effects of Allegedly LTFV Imports on Domestic Prices

The evidence collected in this preliminary investigation indicates that prices for both subject imports and domestically produced wheel inserts have either generally increased or remained stable.<sup>78</sup> We find that the generally upward trends in prices of U.S. wheel inserts, as well as the lack of

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<sup>72</sup> Table 13, CR at I-59 and I-32 n.95, PR at II-26 and II-14 n.95.

<sup>73</sup> Petitioner represented \*\*\* percent of total imports from Taiwan in 1991, \*\*\* percent in 1992, and \*\*\* percent in 1993. Petitioner's affiliate, Auto Tech, ceased importing inserts from Taiwan in \*\*\*. Table 12, CR at I-56-57, PR at II-24-25.

<sup>74</sup> CR at I-68-71, PR at II-28-29.

<sup>75</sup> CR at I-21 n.72, PR at II-11.

<sup>76</sup> The evidence suggests that many purchasers have tended to stay with a single source of supply. According to questionnaire responses and staff telephone interviews, out of 18 purchasers of wheel inserts (six of which were importers from Taiwan and Japan), 14 stated that they purchased from only one source during the period of investigation, two stated that they purchased from three sources, one stated that it purchased from two sources, and one did not indicate.

<sup>77</sup> In addition, Chairman Watson and Commissioner Crawford note that petitioner stated that it imported wheel inserts from Taiwan because it cost less to import them than it did to produce them, and that if it had not been for the low price of the subject imports, some purchasers might not have purchased wheel inserts at all. Tr. at 32 and 74-75. This suggests not only that petitioner benefited from subject imports, but that domestic demand for wheel inserts was fueled by the availability of less expensive subject imports rather than domestically-produced wheel inserts.

<sup>78</sup> See Table 14, CR at I-65-66, PR at II-27-28.

significant head-to-head competition between the imports and the domestic product, belies any evidence of significant price suppression or depression by reason of the subject imports.<sup>79 80</sup>

The Commission was unable to compare prices of the domestic and imported products because no prices were reported involving the same type of imported and domestic wheel insert in the same quarter.<sup>81 82</sup> While overall prices of the Taiwanese wheel inserts were lower than the domestic product, we do not find these generally lower prices provide evidence of underselling. We note that the pricing data obtained by the Commission for the subject imports and domestic like product involved differing quantities of sales, different sizes of wheel inserts, and different types of plating.<sup>83</sup> Thus, prices of subject imports and domestic like product are not strictly comparable. The fragmented nature of the market for this product, where there is at best only limited knowledge regarding competitors, seems to be contributing to the limited levels of competition between the imports and the domestic product. In addition, lost sales allegations revealed no useful information regarding underselling.<sup>84</sup>

Although there is evidence that the domestic and imported products appear to be essentially interchangeable once a design specification has been met, we nonetheless find that due to imperfect information, there is limited actual substitution between the imported and domestic products.<sup>85</sup> The reasons for this have been discussed above. The market for wheel inserts is extremely fragmented consisting of a small number of machine shop operators that produce wheel inserts on a made-for-order basis.<sup>86</sup> There is also a lack of knowledge by the purchasers and producers of alternate suppliers of the product (including suppliers of the imported product).<sup>87</sup> Thus, there is little head-to-

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<sup>79</sup> We note that both \*\*\*. \*\*\*. Table 14, CR at I-66, PR at II-28.

<sup>80</sup> Commissioner Crawford believes that examining trends in prices alone is not probative on the issue of any possible price effects by reason of subject imports. In this case, however, she concurs in the conclusion that there are no significant price effects from allegedly unfairly traded subject imports, for the reasons given below.

<sup>81</sup> There was one exception in the fourth quarter of 1993, when transactions involving both U.S. wheel inserts and Taiwan wheel inserts were reported. While the U.S. product was priced almost \*\*\* than the Taiwan product, we do not consider this one price comparison to be evidence of significant underselling by the Taiwan product. First, we note that these transactions involved different levels of trade -- the U.S. price quoted was a sales price, whereas the Taiwan price was a purchase price. Second, the volume of the transaction involving the U.S. product was substantially lower \*\*\* than the transaction involving the Taiwanese product \*\*\*. Cf. Tables 14 and 15, CR at I-66 and I-69, PR at II-28. See also CR at I-71 n.129, PR at II-29 n.129.

<sup>82</sup> We note that reported prices in this investigation accounted for 100 percent of reported purchases of wheel inserts during the period of investigation. Of the U.S. producers, petitioner was unable to provide certain pricing data for 1991 and 1992, but Greer Stop Nut ("Greer") and Dirksen were able to provide quarterly averages based on annual shipments for the entire period of investigation. We note, however, that even if petitioner were able to provide 1991 and 1992 data, no direct price comparisons could have been made. See Tables 14 and 15, CR at I-65-66 and I-69, PR at II-27-28.

<sup>83</sup> See Tables 14 and 15, CR at I-65 & n.123, I-66, and I-69, PR at II-28 and II-27 n.123. For example, even within each of the two product categories for which the Commission obtained pricing data, prices for products with differing diameters were reported. *Id.* Also, \*\*\*. CR at I-23 and I-24, PR at II-11-12.

<sup>84</sup> Only the petitioner raised any lost sales allegations, \*\*\*. One lost sales allegation involved wheel inserts which petitioner itself imported from Taiwan and then attempted to sell to \*\*\*. CR at I-73, PR at II-29. With respect to this allegation, we note that we do not consider sales by domestic producers of imports to be evidence of lost sales; we only consider lost sales involving domestically produced goods. Import operations of domestic producers are not to be considered part of the domestic industry that may be injured by subject imports. See 19 U.S.C. § 1677(7)(B)(i)(III); S. Rep. No. 71, 100th Cong., 1st Sess. 115 (1987).

The second lost sales allegation involved wheel inserts produced domestically by the petitioner. When the Commission contacted \*\*\*. See CR at I-64, I-68, and I-73-74, PR at II-27, II-28, and II-29. \*\*\*. CR at I-68-70 and I-74, PR at II-28-29.

<sup>85</sup> Commissioner Rohr does not reach this same conclusion.

<sup>86</sup> CR at I-44 and I-62, PR at II-19 and II-26.

<sup>87</sup> See, *supra*, note 67.

head price competition in this market and prices of the various producers and importers appear to be relatively independent of one another, which is evidenced by the range of prices reported by the different producers.<sup>88 89</sup>

For the above reasons, we do not find significant underselling or that subject imports are suppressing or depressing domestic prices to a significant degree.

#### **D. Impact on the Domestic Industry**

Finally, we find that the subject imports have had no significant adverse impact on the domestic industry. Despite the worsening performance of the U.S. producers from 1991 to 1993 in the areas of shipments, production, profitability, and market share, we do not find that those declines are by reason of subject imports.<sup>90</sup>

First, as noted above, petitioner was \*\*\* reason for the increasing import volumes during the same period when the condition of the domestic industry was worsening. We do not, however, conclude that petitioner was causing injury to itself; nor do we find that petitioner's imports caused injury to the industry as a whole, where other producers generally indicated that they were not even aware of the presence of imports. This latter point relates, again, to the fragmented nature of this market, where there appears to be no direct competition among the various producers or between producers and importers. This lack of competition indicates to us that subject imports are not adversely affecting the domestic industry to any significant degree.

Furthermore, the fact that the value of net sales of the domestic industry increased, \*\*\*, concurrently with the increase in subject imports, is further evidence of the absence of any adverse impact on the industry by the imports.<sup>91</sup> In interim 1994, when net sales declined dramatically by \*\*\* as compared to interim 1993,<sup>92</sup> subject imports declined \*\*\* percent.<sup>93</sup> In addition, both the domestic producers and importers of the Taiwan product lost market share in the most recent period, while the market share of nonsubject imports (solely from Japan) increased their market share in the exact amount lost by the U.S. and Taiwanese importers combined.<sup>94</sup>

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<sup>88</sup> See generally Tables 14 and 15, CR at I-66 and I-69, PR at II-28.

<sup>89</sup> Chairman Watson and Commissioner Crawford also find that any adverse price effects by the subject imports would not be significant because, due to the high price elasticity of demand for this product, any attempt by the domestic industry to raise prices significantly would likely result in a large decrease in demand. Thus, the extent of any price rise for the domestic product is limited by the purchasers' high elasticity of demand.

<sup>90</sup> Commissioner Crawford finds that the domestic industry could not have sold significant additional amounts of the like product in the absence of unfairly traded imports. The large number of producers in the domestic industry suggests that the domestic industry could easily increase domestic supply in response to price increases. However, as previously discussed, the apparent high price elasticity of demand in this market suggests that any increase in price would lead to a large reduction in quantity demanded. Purchasers would not accept any significant price increase. As discussed above by Chairman Watson and Commissioner Crawford, domestic purchasers would have significantly reduced their purchases of wheel inserts if subject imports were not available. Moreover, as described above, the fragmented nature of this market suggests it is not likely that domestic purchasers would replace subject imports with significant amounts of domestic production of wheel inserts, even if subject imports were fairly traded.

<sup>91</sup> Commissioner Crawford does not join in this paragraph. She does not believe that comparing trends in imports and domestic industry sales is probative on the issue of causation, that is, it does not inform us of whether there is a significant impact on the volume of domestic sales by reason of subject imports. In this case, however, she concurs in the conclusion that there is no significant effect from unfairly traded subject imports on domestic sales, for the reasons given above and below.

<sup>92</sup> Unit sales values also declined during this period by \*\*\* percent. Table C-1, CR at C-3, PR at C-3.

<sup>93</sup> Table 12, CR at I-57, PR at II-25.

<sup>94</sup> CR at I-59, PR at II-26.



Moreover, producers accounting for the vast majority of domestic production expressly informed the Commission that imports have had no actual negative effects on their operations during the period of investigation and that they were indifferent to the filing of this petition.<sup>95</sup> <sup>96</sup> Even petitioner provided conflicting evidence, indicating on two separate occasions that it was not experiencing present material injury.<sup>97</sup>

Based on the record as a whole, we determine that there is no reasonable indication of material injury by reason of the allegedly LTFV imports of wheel inserts from Taiwan, and that there is no likelihood that contrary evidence would arise in any final investigation.<sup>98</sup>

**V. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS**

Section 771(7)(F) of the Act directs us to consider whether a U.S. industry is threatened with material injury by reason of the subject imports "on the basis of evidence that the threat of material injury is real and that actual injury is imminent."<sup>99</sup> We do not make such a determination "on the basis of mere conjecture or supposition."<sup>100</sup> In making our determination, we have considered all of the statutory factors that are relevant to this investigation.<sup>101</sup> We emphasize that an affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation"<sup>102</sup> and we are also mindful of Congress' intent that our determination of threat be based on "a careful assessment of identifiable current trends and competitive conditions in the marketplace."<sup>103</sup>

We do not find any evidence of an increase in production capacity or unused capacity in Taiwan that is likely to result in a significant increase in imports of wheel inserts to the United States. Information was provided to the Commission by the American Institute in Taiwan ("AIT") which indicated that of the four known producers in Taiwan, one had ceased operations in 1993 and,

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<sup>95</sup> For example, \*\*\*, \*\*\*. CR at I-22 and I-23, PR at II-11-12; staff telephone interview with \*\*\*. \*\*\*, \*\*\*. See *id.* at I-22-23 and I-49, PR at II-11-12 and II-20. Finally, \*\*\*, \*\*\*. CR at I-25, PR at II-12.

<sup>96</sup> Commissioner Crawford normally does not place great weight on anecdotal evidence in making her determination, as she finds such evidence does not necessarily provide a representative view of the industry. In the current case, however, the small size and fragmented nature of the market for wheel inserts, and the fact that statements are available from producers representing a substantial portion of the domestic industry, indicate that the available evidence is useful in making a determination.

<sup>97</sup> Petitioner stated \*\*\*. CR at I-49, PR at II-20. Similarly, petitioner testified at the conference, "I haven't been injured. I will -- I potentially will be injured." Tr. at 83. In petitioner's postconference brief, however, petitioner took a different tack by claiming that it has \*\*\*. \*\*\*. Petitioner's Postconference Brief at 8.

<sup>98</sup> As noted earlier, despite extensive efforts by the Commission staff, we were unable to obtain data from \*\*\*, a domestic producer that ceased producing wheel inserts during the period of investigation, and we do not believe that we are more likely to obtain such data if this case were to proceed to a final investigation. Even if, in a final investigation, we were able to obtain data from \*\*\*, our conclusion would not be changed given that \*\*\* percent of domestic production during the period of investigation.

<sup>99</sup> 19 U.S.C. §§ 1673d(b) and 1677(7)(F)(ii).

<sup>100</sup> 19 U.S.C. § 1677(7)(F)(ii).

<sup>101</sup> 19 U.S.C. § 1677(7)(F)(i). In addition, we must consider whether antidumping findings or remedies in markets of foreign countries against the same class or kind of merchandise suggest a threat of material injury to the domestic industry. See 19 U.S.C. § 1677(7)(F)(iii). We note that we have no information indicating that there are any antidumping remedies imposed in other countries upon wheel inserts from Taiwan.

Two of the ten statutory threat factors have no relevance to this investigation and need not be discussed further. Because there are no subsidy allegations, factor I is not applicable. Factor IX, regarding raw and processed agricultural products, also is inapplicable here.

<sup>102</sup> *Metallwerken Nederland, B.V. v. United States*, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990).

<sup>103</sup> *Calabrian Corp. v. United States*, 797 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992) (citing H.R. Rep. No. 1156, 98th Cong., 2d Sess. 174 (1984)).

in general, other producers were moving production elsewhere due to high labor costs in Taiwan and low profit margins.<sup>104</sup> Furthermore, AIT provided information that at least one Taiwan manufacturer stated that the rates of production, capacity, and capacity utilization of wheel inserts were projected to decline in 1994 and 1995.<sup>105</sup>

We do not find any evidence of a "rapid increase in United States market penetration" of subject imports. From 1991 to 1993, the market share of imports, by quantity, from Taiwan increased by approximately \*\*\* percentage points.<sup>106</sup> More significantly, the market share of subject imports declined by \*\*\* percentage points in interim 1994 compared with interim 1993, and the quantity of U.S. shipments of imports from Taiwan declined by \*\*\* percent during this same period.<sup>107</sup> Only one shipment of imports was reported after the interim 1994 period.<sup>108</sup> We also find it very persuasive that several large wheel manufacturers, including \*\*\* of the wheel manufacturers that have knowingly purchased wheel inserts from Taiwan, have indicated that they no longer intend to use wheel inserts and thus have no future plans to purchase any imports or, for that matter, the domestic product.<sup>109</sup> We thus find no likelihood that there will be a rapid increase in subject imports entering the U.S. market.

For the reasons discussed above in section IV.C., we do not find that imports will enter the United States at prices that will have a depressing or suppressing effect on domestic prices, due to the lack of direct competition in this market and the lack of knowledge by the purchasers and producers of alternate suppliers of the product. Thus, we find that there is no indication that future imports would be any more likely to affect prices adversely in the imminent future than they have during the period of investigation.

The record also does not support a finding that U.S. inventories of Taiwanese wheel inserts are likely to have an injurious effect on the U.S. industry. The largest amount of inventories of the Taiwan product was reported by \*\*\*. In interim 1994, \*\*\* reported the second largest amount. However, we note that \*\*\*.<sup>110</sup> The only other importer of the Taiwan product reported only insignificant levels of inventories (relative to overall consumption).<sup>111</sup>

We also have no evidence of any potential for product-shifting within the meaning of 19 U.S.C. § 1677(7)(F)(i)(VII). We note that there is an antidumping duty order against chrome-plated lug nuts from Taiwan and there is evidence that lug nuts can be produced on the same equipment in

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<sup>104</sup> CR at I-54-55, PR at II-23. Commission staff did not obtain information directly from Taiwan producers regarding production capacity or capacity utilization. No parties entered an appearance on behalf of any Taiwan interests. The Commission contacted all of the ten alleged manufacturers of wheel inserts in Taiwan listed in the petition, as well as several others obtained independently, and found evidence of only four companies that actually produced wheel inserts in Taiwan during the period of investigation. The Commission also contacted the AIT who provided information on the Taiwanese wheel inserts market to the Commission. CR at I-52-54, PR at II-23.

<sup>105</sup> CR at I-55, PR at II-23. Petitioner did not present any contrary evidence that would indicate that production capacity in Taiwan of wheel inserts is increasing or that there was underutilized capacity. In its petition, petitioner simply stated, "[t]he productive capacity in both Taiwan and China is substantial. The production process is capital intensive, rather than labor intensive, and producers in both Taiwan and China have the equipment available." Petitioner also provided a theoretical number of wheel inserts that could be produced \*\*\* in Taiwan if a producer had a header machine. Petition at 28-29. However, there is no evidence to indicate that such production was in fact taking place, and we decline to base a finding on mere speculation.

<sup>106</sup> As noted above, the major proportion of imports were imported by the petitioner, who has since ceased all importations. CR at I-56 n.114, PR at II-24.

<sup>107</sup> Table C-1, CR at C-3, PR at C-3.

<sup>108</sup> CR at I-58, PR at II-24. Further, the AIT presented a statement from a Taiwan exporter that showed consistently declining exports to the United States during the period of investigation. CR at I-55, PR at II-23.

<sup>109</sup> One wheel manufacturer, \*\*\*. \*\*\*. CR at I-8 n.20, PR at II-5 n.20. \*\*\*.

<sup>110</sup> \*\*\*. See CR at I-53 and I-74, PR at II-22 and II-29.

<sup>111</sup> Table 11, CR at I-53, PR at II-22.

the same facilities as wheel inserts.<sup>112</sup> However, that antidumping duty order went into effect in 1991, and any product shifting would already have occurred. The declining imports of wheel inserts in the most recent period further support the conclusion that there is no threat of product shifting.

We find no actual or potential negative effects on existing development and production efforts of the domestic industry. Indeed, petitioner has noted that it is currently developing a new type of wheel insert that would be more concentrically accurate.<sup>113</sup> In addition, as stated above, a number of domestic producers, including petitioner, stated that they were not affected by imports from Taiwan.<sup>114</sup>

There are no "other demonstrable adverse trends" that indicate that subject imports are likely to be the cause of actual injury. Petitioner has raised the argument claiming in effect that the demand for wheel inserts is poised to take off and that once the market for wheel inserts develops, importers will start flooding the U.S. market with foreign-made wheel inserts.<sup>115</sup> First, we find that petitioner's argument is based upon assumptions of what may occur in the future which we find speculative.<sup>116</sup> Second, we cannot base our finding of threat upon what may occur in the future, unless there is "positive evidence tending to show an intention to increase the levels of importation."<sup>117</sup> Such evidence is absent here.

Accordingly, we find that there is no reasonable indication of a threat of material injury to the domestic wheel inserts industry by reason of imports from Taiwan and we find that there is no likelihood that any contrary evidence would arise in a final investigation.

### CONCLUSION

For the reasons discussed, we determine that there is no reasonable indication that the domestic industry producing wheel inserts is materially injured or threatened with material injury, or that the establishment of the wheel inserts industry has been materially retarded, by reason of the imports of wheel inserts from Taiwan.

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<sup>112</sup> See Chrome Plated Lug Nuts From the People's Republic of China and Taiwan, Inv. Nos. 731-TA-474 and 475 (Final), USITC Pub. 2427 (Sept. 1991).

<sup>113</sup> 19 U.S.C. § 1677(7)(F)(i)(X).

<sup>114</sup> See notes 95 and 97, *supra*.

<sup>115</sup> Petitioner stated that this happened to them in the lug nuts industry, and China and Taiwan "are the two countries that are going to get us." Petitioner further testified "I know what is going to happen. I've lived through it before. And before it happens, I'm trying to stop it." See generally Tr. at 37-38, 65, and 85.

<sup>116</sup> We also find that petitioner's first assumption, that the market for wheel inserts is going to increase substantially, is not supported by the record. Petitioner stated that the potential for the wheel inserts market is several hundred million inserts per year. CR at I-21, PR at II-11. As evidence of this alleged future market increase, petitioner reported that it is currently negotiating with two wheel manufacturers for orders that could reach 0.75 million wheel inserts each month. \*\*\*. See CR at I-21 & n.72, PR at II-11. Indeed, as previously noted, \*\*\* wheel manufacturers have stated that they are "designing-out" the wheel insert from their wheels and several auto manufacturers stated that they do not use wheel inserts. See, e.g., *id.* and CR at I-12, I-13, and I-58, PR at II-7 and II-24.

<sup>117</sup> See Metallwerken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990)(citing American Spring Wire, 8 CIT at 28, 590 F. Supp. at 1280 and Republic Steel Corp. v. United States, 8 CIT 29, 41, 591 F. Supp. 640, 650 (1984)).



**ADDITIONAL VIEWS OF VICE CHAIRMAN JANET A. NUZUM  
AND COMMISSIONER LYNN M. BRAGG**

Like the majority of our colleagues, we make a negative determination in this investigation, and join in the majority opinion set forth above. However, with regard to the application of the related parties' provision of the statute, we find appropriate circumstances do exist in this case to exclude Consolidated International Automotive, Inc. ("Consolidated") from the domestic industry, notwithstanding its position as petitioner. These views set forth the basis for that finding.

Although our view is that appropriate circumstances exist here to exclude Consolidated as a related party, we also recognize that there is a reasonable basis for including Consolidated, as discussed in the majority opinion. In light of the fact that exclusion of a related party is discretionary, and the outcome in this investigation does not hinge on that issue (i.e., we find the record supports a negative determination, whether or not Consolidated is excluded), we have elected to set forth our analysis of the record both including Consolidated and excluding Consolidated. These additional views address the latter analysis.<sup>1</sup>

**I. THE DOMESTIC INDUSTRY AND RELATED PARTIES**

The record clearly establishes the petitioner, Consolidated, as a related party within the meaning of the statute.<sup>2</sup> From 1991 through 1993, petitioners' affiliate, Auto Tech Industries, Inc. ("Auto Tech"), was the \*\*\* importer of wheel inserts from Taiwan, consistently accounting for a \*\*\* of the imports from Taiwan.<sup>3</sup> Auto Tech imported \*\*\* percent of subject imports in 1991, \*\*\* percent in 1992, and \*\*\* percent in 1993.<sup>4</sup> During this time, Consolidated acted as the exclusive marketing and sales channel for Auto Tech. In \*\*\*, Auto Tech \*\*\*.<sup>5</sup>

In considering whether appropriate circumstances exist to exclude a related party, the Commission typically weighs a variety of factors, including (1) the amount of domestic production that is attributable to the related producer; (2) the reasons why the related producer chose to import the product under investigation; (3) the position of the related producer vis-a-vis the rest of the industry (i.e., whether inclusion or exclusion would skew the data); and (4) whether the primary interest of the related producer lies in domestic production or importation.<sup>6</sup>

In some cases, excluding a related party producer would leave the Commission with a paucity of data on the domestic industry. In this case, however, Consolidated accounts for only \*\*\* percent of total domestic production of wheel inserts during the period investigated.<sup>7</sup> It does not account for the majority, or even a large portion, of domestic production. The data collected by the Commission, after data on Consolidated is excluded, still represents more than \*\*\* percent of domestic production during the period investigated.

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<sup>1</sup> We note that the discussions of like product, material retardation, and conditions of competition contained in the majority opinion apply equally to an analysis excluding Consolidated from the domestic industry, and so we incorporate those discussions herein by reference.

<sup>2</sup> 19 U.S.C. 1677(4)(B).

<sup>3</sup> Auto Tech was \*\*\*. Table 12, CR at I-57; PR at II-25.

<sup>4</sup> *Id.*

<sup>5</sup> CR at I-56 and I-58; PR at II-24.

<sup>6</sup> See, e.g., Torrington Co. v. United States, 790 F.Supp. 1161 (C.I.T. 1992), *aff'd without opinion*, 991 F.2d 809 (Fed.Cir. 1993); Ferrovanadium and Nitrided Vanadium from Russia, Inv. No. 731-TA-702 (Preliminary), USITC Pub. 2796 (July 1994) at I-8-9; Fresh Garlic from the People's Republic of China, Inv. No. 731-TA-683 (Preliminary), USITC Pub. 2755 (Mar. 1994) at I-14.

<sup>7</sup> This share is based on total reported production during the period January 1991 to June 1994. See CR at I-17; PR at II-9.

While Consolidated has asserted that it imported only "some" subject imports in order to meet the demand of its growing customer,<sup>8</sup> the evidence indicates otherwise. The \*\*\* (over \*\*\* percent) of Consolidated's total sales during the period investigated were of subject imports -- not domestic product.<sup>9</sup> The substantial role of subject imports in contributing to Consolidated's total sales throughout the period is persuasive evidence that Consolidated benefitted from subject imports.

Moreover, although Consolidated recently stopped importing the subject products, it continued to benefit from its sales of Taiwanese wheel inserts previously imported. During the period January-June 1994, \*\*\* (\*\*\* percent) of Consolidated's total U.S. shipments were of wheel inserts that it had previously imported from Taiwan.<sup>10</sup>

Exclusion of Consolidated from the domestic industry naturally results in a different set of numbers for domestic performance indicators. Notwithstanding these differences, excluding Consolidated does not change our interpretation of the underlying condition of the domestic industry -- that it is not being materially injured or threatened with material injury by reason of the subject imports.

We find that Consolidated's primary interest during most of the period investigated was in the subject imports, not domestic production. Although we acknowledge that Consolidated has recently ceased importing wheel inserts from Taiwan, and is now focusing its efforts on domestic production, its competitive posture in this market for virtually the entire period of investigation was overwhelmingly tied to subject imports.<sup>11</sup> Under these circumstances, we find it is appropriate to exclude Consolidated from the domestic industry for purposes of our determination under Title VII.

## **II. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF THE SUBJECT IMPORTS**

A highly unusual aspect of this investigation, and a very important determinant of our negative determination, is the change in circumstances that has occurred since the third quarter of 1993, particularly with respect to the importation of wheel inserts from Taiwan. Until the latter part of 1993, as reflected in the data for the three full years 1991-1993, subject imports consistently increased in volume. U.S. shipments of imports from Taiwan increased from 1991 to 1993 by \*\*\* percent in quantity and by \*\*\* percent in value. Subject imports' market share based on quantity increased from \*\*\* percent in 1991, to \*\*\* percent in 1992, to \*\*\* percent in 1993; based on value, subject imports' market share increased from \*\*\* percent to \*\*\* percent to \*\*\* percent.<sup>12</sup> As compared with the corresponding volume indicators for the domestic industry, the volumes of subject imports were also much larger than the volumes of domestic product.<sup>13</sup> If our determination were to be based on data only for the period ending in December 1993, we would clearly find both that the volume of subject imports was significant and that the increase in volume was significant.<sup>14</sup>

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<sup>8</sup> Petitioner's postconference brief at 9.

<sup>9</sup> Tables 1 and 3, CR at I-30 and I-36; PR at II-15 and II-17.

<sup>10</sup> *Id.* and CR at I-18; PR at II-10.

<sup>11</sup> We also note that Consolidated had originally planned \*\*\*. \* \* \*. CR at I-68; PR at II-28.

<sup>12</sup> Table C-2; CR at C-3 and I-32 n.95; PR at C-3 and II-14 n.95.

<sup>13</sup> Compare shipments of subject imports by quantity (\*\*\* million units in 1991, \*\*\* million units in 1992, \*\*\* million units in 1993) and by value (\*\*\* in 1991, \*\*\* in 1992, \*\*\* in 1993) with domestic producers' U.S. shipments based on quantity (\*\*\* million units in 1991; \*\*\* million units in 1992; \*\*\* million units in 1993); U.S. shipments based on value (\*\*\* in 1991; \*\*\* in 1992; \*\*\* in 1993); U.S. market share by quantity (\*\*\* percent in 1991 and in 1992; \*\*\* percent in 1993); U.S. market share by value (\*\*\* percent in 1991; \*\*\* percent in 1992; \*\*\* percent in 1993).

<sup>14</sup> See 19 U.S.C. 1677(7)(C)(i).

Our determination must, however, be based on the most current information available, which in this investigation includes the first half of 1994.<sup>15</sup> When we examine the data for the first half of 1994, we find the trends for the preceding three years reversing themselves. During the first half of 1994, U.S. shipments of imports from Taiwan declined sharply, by \*\*\* percent in quantity and \*\*\* percent in value, as compared with the first half of 1993.

This substantial decline in the volume of subject imports shows itself not only in the absolute volume numbers, but relative to domestic consumption as well. On a quantity basis, imports from Taiwan accounted for only \*\*\* percent of domestic consumption during the first half of 1994, whereas they had accounted for \*\*\* percent of domestic consumption during the corresponding period the previous year. Similarly, on a value basis, imports from Taiwan accounted for \*\*\* percent of domestic consumption in the first half of 1994, falling from a share of \*\*\* percent in the first half of 1993.<sup>16</sup>

When we take into account the most current information available, therefore, we reach the conclusion that, although the volume of subject imports remains large and continues to play a significant role in this market, its significance is diminished by the substantial reversal in trends during the most recent six-month period.

We also find that certain adverse volume effects that may have been discernible through market share indicators during the three-year period 1991-93, have dissipated during the most recent interim period. Excluding Consolidated, domestic market share declined from \*\*\* percent during 1991 and 1992 to \*\*\* percent in 1993, at the same time that the subject imports' market share was increasing. However, in the first half of 1994, the market share held by domestic producers other than Consolidated was \*\*\* percentage points higher than in the first half of 1993.<sup>17</sup> Although domestic market share is admittedly small, we note that during the first half of 1994, domestic producers were able to increase their market share in the face of significantly lower consumption<sup>18</sup> and a substantial increase in import competition from other sources.<sup>19</sup>

With regard to the effect of the Taiwanese imports on prices, we find that the evidence does not support a finding that the subject imports have adversely affected the price of domestic wheel inserts. As noted in the majority opinion, the Commission was unable to compare prices of the domestic and imported products because the transactions for which pricing data were collected were not comparable.<sup>20</sup> Thus, there is no direct evidence of either underselling or overselling.<sup>21</sup> While the record does indicate that prices of the Taiwanese wheel inserts were generally lower than prices of the domestic product, this does not, in our view, constitute evidence of significant underselling given the fragmented nature of this market, the lack of comparability between particular domestic and

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<sup>15</sup> In this investigation, we find no basis for placing any less weight on the interim data than on the full year data. The Commission sometimes places less weight on interim data if such data appear to have been affected by the filing of the petition. Here, however, the petition was filed in September 1994, subsequent to the period covered by the interim data.

<sup>16</sup> Table C-2; CR at C-3 and I-32 n.95; PR at C-3 and II-14 n.95.

<sup>17</sup> During the first half of 1993, domestic market share was \*\*\* percent; during the first half of 1994, it rose to \*\*\* percent. See *id.*

<sup>18</sup> Domestic consumption of wheel inserts in the first half of 1994 was approximately \*\*\* million units, falling \*\*\* percent from consumption of approximately \*\*\* million units in the first half of 1993. See *id.* and Table 1, CR at I-30; PR at II-15.

<sup>19</sup> Market share of nonsubject imports jumped substantially to \*\*\* percent in the first half of 1994, from \*\*\* percent in the first half of 1993. See Table C-2; CR at C-3 and I-32 n.95; PR at C-3 and II-14 n.95.

<sup>20</sup> This is due to a lack of comparability in the transactions, not to a lack of transaction data. The Commission collected price data accounting for 100 percent of reported purchases of wheel inserts during the period of investigation, and quarterly average price data for U.S. producers (\*\*\*) that accounted for over \*\*\* percent of U.S. production (excluding Consolidated) over the period of investigation.

<sup>21</sup> Nor is there likely to be any new evidence on this issue in a final investigation, for the reasons cited in the preceding footnote.

import transactions, and the apparent absence of any significant direct competition between subject imports and the domestic product.

Similarly, the evidence does not support a finding of significant price depression or suppression. The prices charged by U.S. producers \*\*\*, who accounted for over \*\*\* percent of domestic production excluding Consolidated, remained steady or increased over the period of investigation. Thus, there is no evidence that lower prices of Taiwanese imports depressed prices for the domestic product. While there is no evidence that these producers attempted to obtain additional price increases, the evidence of record suggests that U.S. producers attempting to increase prices further would have faced resistance from their customers, not due to competition from Taiwanese imports, but due to the unique demand characteristics of this market: if the price is too high, users will simply stop using the product.<sup>22</sup> Finally, as discussed in the majority opinion, the fragmented nature of this market indicates that prices charged by importers and domestic producers are relatively independent of one another. Based on these facts, we find no evidence that subject imports had any significant price-depressing or suppressing effects.

As a result of excluding Consolidated from the domestic industry, we have no reliable data on the record regarding domestic employment, capacity and capacity utilization. Those traditional indicators, however, are not important or useful factors in this market, which operates on a job-order basis. In other words, no domestic producer allocates specific product lines, employees or machinery to the production of wheel inserts. Wheel inserts are one of many different products made by a domestic producer, and are manufactured only when a customer comes in and specifically requests an order. Wheel inserts accounted for less than \*\*\* percent of the overall business operations for each of the domestic producers identified.<sup>23</sup>

Examining the remaining domestic performance factors relevant to our analysis in a Title VII investigation,<sup>24</sup> we find declines in most indicators during the period 1991-93.<sup>25</sup> Domestic production, volume of shipments, and market share all declined.<sup>26</sup> In the area of financial performance, net sales declined consistently after 1991. Total cost of goods sold ("COGS"), unit COGS, as well as COGS as a percent of sales all increased from 1991 to 1993. Although total COGS declined during the first half of 1994, COGS as a percent of sales continued to increase during the most recent interim period. Operating income has been in decline since 1992, whether measured in absolute terms or as a percent of sales.

In light of these trends in domestic industry performance, we do not suggest in making a negative determination that the domestic wheel insert industry is not facing difficulties. Clearly it is. But our responsibility under the statute is to examine the impact of subject imports -- here, the allegedly LTFV imports from Taiwan -- on the domestic industry, not the condition of the domestic industry in an abstract sense. We do not find that the evidence in the record establishes that the current difficulties of the domestic industry are by reason of subject imports.

In arriving at this conclusion, we have placed great weight on the changes that have occurred since the third quarter of 1993; particularly the substantial declines in subject imports and the corroborating evidence of a declining customer base for wheel inserts from Taiwan. Information obtained from importers of wheel inserts from Taiwan, including \*\*\*, clearly establishes declining demand for subject imports since mid-1993. We have also considered the evidence that imports from Taiwan have no discernible adverse effects on the prices obtained by U.S. producers for sales of

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<sup>22</sup> Transcript of the hearing at 76.

<sup>23</sup> CR at I-44; PR at II-19.

<sup>24</sup> See 19 U.S.C. 1677(C)(iii).

<sup>25</sup> See Table C-2; CR at C-3 and I-32 n.95; PR at C-3 and II-14 n.95.

<sup>26</sup> These declines are observed primarily from 1992 to 1993. On the other hand, the value of U.S. shipments was at a higher level in 1993 than in 1991, coincident with rising unit values. During the first half of 1994, domestic production, both volume and value of U.S. shipments, and domestic market share were each higher than during the same period the previous year. See *id.*



wheel inserts. These factors are probative of a negative determination, whether or not Consolidated is excluded from the domestic industry as a related party, and explain why we arrive at a negative determination under either approach. Even under the "reasonable indication" standard of a preliminary determination, we do not find a reasonable indication of material injury to a domestic industry by reason of allegedly LTFV imports of wheel inserts from Taiwan.

### **III. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS**

All of the evidence supporting our negative finding on material injury also supports a negative finding on threat of material injury. Not only is there a substantial decline in subject imports during the most recent interim period, there is also no evidence (as distinguished from argument) suggesting that subject imports are likely to increase to an injurious level in the near term.<sup>27</sup> In fact, there is not even any evidence that subject imports, currently declining, are likely to do anything other than continue to decrease. \*\*\* importers, accounting for \*\*\* subject imports, have either ceased importing wheel inserts from Taiwan or indicated their intention to cease importing them in the near future. \*\*\* of the wheel manufacturers that have purchased wheel inserts from Taiwan indicated to the Commission that they no longer intend to use wheel inserts in their production of wheels, at least for aftermarket use.<sup>28</sup>

The threat analysis set forth in the majority views applies equally to our threat analysis excluding Consolidated from the domestic industry. We therefore do not repeat that discussion here, but rather incorporate it by reference.

Although conditions in the market may again change,<sup>29</sup> we must base any threat determination on positive evidence demonstrating a reasonable indication that actual injury is imminent. Based on the information in this record, we find no reasonable indication of a threat of material injury to a domestic industry by reason of allegedly LTFV imports of wheel inserts from Taiwan.

### **IV. CONCLUSION**

The record in this investigation is comprehensive and informative, notwithstanding the lack of reliable price comparisons and separate employment and capacity data on domestic producers. There is no reason to believe that significant additional information on these issues would be available in any final investigation that would lead us to a contrary conclusion. We find clear and convincing evidence that the domestic industry producing wheel inserts, excluding Consolidated, is neither materially retarded, materially injured, nor threatened with material injury by reason of allegedly LTFV imports of wheel inserts from Taiwan.

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<sup>27</sup> An affirmative threat determination must be based on "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." 19 U.S.C. 1677(F)(ii).

<sup>28</sup> See CR at I-8 nn.20 and 22, I-20-21 and nn.71 and 72, I-68, I-71; PR at II-5 nn.20 and 22, II-11 and nn.71 and 72, II-28. \* \* \*. CR at I-8 n.20; PR at II-5 n.20.

<sup>29</sup> We note that petitioner's arguments in this investigation essentially amount to speculation that it may be threatened with material injury in the future.



## DISSENTING VIEWS OF COMMISSIONER NEWQUIST

Unlike my colleagues, I find that there is a reasonable indication that the domestic industry producing wheel inserts is threatened with material injury by reason of imports of this product from Taiwan which are allegedly sold in the United States at less-than-fair-value. I do, however, concur in the majority's discussion of like product, domestic industry, related parties, and no material retardation.

In my view, this is an uncomplicated affirmative preliminary determination. The data obtained during this preliminary investigation provide a reasonable indication that the domestic industry is vulnerable to the further adverse effects of allegedly unfair imports. At the same time, the lack of certain data concerning the domestic and Taiwanese industries warrants the continuation of this investigation.

As a preliminary matter, I note that in reaching my determination, I have not considered the method by which the margin was adjusted by the Department of Commerce.<sup>1</sup>

In my view, the Commission should not, and arguably cannot, terminate an investigation based on matters solely within the province of the Department of Commerce. That is, whether there is dumping, or whether the dumping margin is de minimis, or whether there is adequate industry support for a petition, are not determinations to be made by the Commission. The role of the Commission is to determine whether there is injury to the relevant domestic industry by reason of the imports Commerce has found to be unfair. The Commission should not permit questions concerning the mechanics of the Commerce determination to confuse its injury analysis. Consideration of such issues is particularly inappropriate in a preliminary investigation where, for all practical purposes, Commerce has but twenty days to make margin related determinations and any adjustments are necessarily tentative in nature pending further investigation.

### I. STANDARD IN PRELIMINARY INVESTIGATIONS

As I explained in detail in Carbon Steel Pipe Nipples from Mexico,<sup>2</sup> when a preliminary investigation fails to ascertain sufficient information to confidently assess whether the domestic industry is materially injured or threatened with such injury, I believe the Commission is obligated to make an affirmative preliminary determination and continue the investigation.

A negative preliminary determination preempts petitioners from any opportunity to present directly to the Commission crucial information and perspectives on their industry and conditions of trade. A vote denying such access should be based on a record of exceptional quality and insight. During the relatively brief period of a preliminary investigation, this cannot always occur -- in fact, it seldom does. Thus, consistent with sound administrative policy, only the most compelling of records warrant a negative preliminary determination.

#### A. Overview

Over time, the Commission's analytical framework for preliminary investigations has evolved into a "two prong" test wherein a negative determination is warranted only if: (i) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (ii) no likelihood exists that contrary evidence will arise in a final investigation. As has been noted in virtually every Commission preliminary determination since 1986, "[t]he U.S. Court of

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<sup>1</sup> Confidential Report ("CR") at I-15; Public Report ("PR") at II-8.

<sup>2</sup> 731-TA-719 (Preliminary), USITC Pub. 2819 (October 1994)(Dissenting Views of Commissioner Newquist).

Appeals for the Federal Circuit has held that this [test] . . . 'accords with clearly discernible legislative intent and is sufficiently reasonable.'<sup>3</sup>

In my view, and consistent with my interpretation of the statute, the import of the Commission's oft-cited "two prong" test is simple: the Commission should not make a negative preliminary determination unless both elements of the test are satisfied.

#### **B. Information Lacking In This Investigation**

In its petition, the petitioner, Consolidated International Automotive, Inc. ("Consolidated"), erroneously identified itself as the only domestic producer of wheel inserts.<sup>4</sup> Significantly, in 1991, Consolidated was the petitioner in Chrome-Plated Lug Nuts from the People's Republic of China and Taiwan,<sup>5</sup> and is thus familiar with the Commission's investigatory process.

Some may argue that the petitioner was trying to "hide something" from the Commission by not identifying other domestic producers. Despite such equitable concerns, our task remains a factual one, particularly in preliminary investigations. In my view, the absence of such identification persuasively demonstrates that this is a domestic industry for which data may be difficult to gather. I note that it is the Commission that has the obligation to conduct a thorough investigation, not the petitioner.

Given the nature of the subject product, it is not surprising that there are problems in obtaining complete and representative industry data.<sup>6</sup> A wheel insert is little more than a steel washer. It is not a "high-tech" product. It is not a capital intensive product. It is not a labor intensive product. The domestic wheel insert industry is generally composed of relatively small machine shops that produce on a job-order basis.<sup>7</sup> Utilizing the same production equipment, many of the domestic producers can and do produce a wide variety of related products, of which wheel inserts constitute a very small portion of overall operations.<sup>8</sup> In short, if sufficient demand existed, any one of the hundreds of firms with the proper machinery could produce untold amounts of wheel inserts.

To their credit, particularly in light of the relatively short time frame for the preliminary investigation, Commission staff identified four additional domestic producers of wheel inserts, as well as one producer that is "gearing up" for production.<sup>9</sup> Although Commission staff believe that the petitioner and these other producers account for "the vast majority of the U.S. production of wheel inserts,"<sup>10</sup> only the petitioner provided complete data in response to Commission staff questionnaires. Although four producers provided at least some data, most of the information on the performance of the industry is derived from data provided by petitioner, and partial data provided by two other producers.<sup>11</sup>

In addition, due to the nature of the industry, i.e., that wheel insert production generally accounts for only a small share of any producer's overall operations, capacity and capacity utilization data gathered in this preliminary investigation reflect arbitrary allocations.<sup>12</sup> Had this investigation

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<sup>3</sup> See, e.g., Defrost Timers from Japan, Inv. No. 731-TA-43 (Preliminary), USITC Pub. 2609 at 5 (March 1993)(quoting American Lamb Co. v. United States, 785 F.2d 994, 1004 (Fed. Cir. 1986)("American Lamb")).

<sup>4</sup> Petition at 2; petition at Appendix 1.

<sup>5</sup> Inv. Nos. 731-TA-474 and 475 (Final), USITC Pub. 2427 (September 1991).

<sup>6</sup> See, e.g., Majority opinion at n.35.

<sup>7</sup> CR at I-44; PR at II-19.

<sup>8</sup> Id.

<sup>9</sup> CR at I-15; PR at II-9.

<sup>10</sup> CR at I-16; PR at II-9.

<sup>11</sup> See, e.g., CR at I-16-17, I-32, I-33, I-35, I-37, I-38, I-42; PR at II-9, II-14, II-16, II-17, II-18.

<sup>12</sup> In fact, the only producer to supply capacity data, the petitioner, indicated that it has excess capacity in its overall operations and can easily switch production of products within its product line. CR at I-33, n.96; PR at II-16, n.96.

been continued, doubtless there would have been an essential verification of producers' allocated data -- which underscores the tentative, if not unreliable, quality of the data in this particular preliminary investigation. While interpretation, inference, and extrapolation may provide plausible or, in some instances, even accurate, explanations, such explanations are not the requisite hard data sufficient to terminate an investigation.

Commission staff obtained virtually no data concerning the industry in Taiwan, though it was not for lack of effort. Staff attempted to obtain data from 14 companies believed to be either producers or exporters.<sup>13</sup> Seven of the 14 firms reported that they neither produced nor exported wheel inserts during the period of investigation.<sup>14</sup> Four reported that they did in fact produce wheel inserts during the period, but they provided no data.<sup>15</sup> Staff did receive limited data from one exporter and three importers, one of which was the petitioner.<sup>16</sup>

Finally, it should also be noted that the pricing data obtained by Commission staff may prevent an "apples-to-apples" comparison of domestic and Taiwanese wheel inserts.<sup>17</sup> As such, it is difficult to confidently ascertain whether there has been no depression or suppression of domestic prices.

### C. Conclusion

In light of my interpretation of the statutory purpose of a preliminary investigation, the tentative quality of the data before the Commission, and the apparent need for information not now available, I conclude that an affirmative determination is required. For me, the record in this preliminary investigation clearly warrants continuation consistent with longstanding principles set forth in American Lamb.

Set forth below is the basis for my determination that there is a reasonable indication that the domestic industry producing wheel inserts is threatened with material injury by reason of imports of this product from Taiwan which are allegedly sold in the U.S. at less-than-fair-value.

In making this determination and providing this analysis, I am mindful that the reliability and meaningfulness of this analysis is severely constricted by the significant amount of data absent from the preliminary record.

## II. CONDITION OF THE INDUSTRY

In determining whether there is material injury to a domestic industry by reason of the LTFV imports, I am directed to consider "all relevant economic factors that have a bearing on the state of the industry in the United States."<sup>18</sup> These include production, consumption, shipments, inventories, capacity utilization, market share, employment, wages, productivity, financial performance, capital expenditures, and research and development.<sup>19</sup> No single factor is determinative, and I consider all relevant factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."<sup>20</sup>

As discussed above, the domestic industry is composed of generally small machine shops that produce a variety of related products. In addition, there are hundreds, if not thousands, of firms

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<sup>13</sup> CR at I-54; PR at II-23.

<sup>14</sup> Id.

<sup>15</sup> Id.

<sup>16</sup> CR at I-55, n.111, n.112, Table 12, I-57; PR at II-23, n.111, n.112, Table 12, II-25.

<sup>17</sup> CR at I-71; PR at II-29.

<sup>18</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>19</sup> Id.

<sup>20</sup> Id.

which likely have the necessary equipment to permit production of wheel inserts with relative ease. In my view, these are significant conditions of competition characterizing this industry.

Overall domestic consumption of wheel inserts rose from 1991 to 1993, but fell in the first half of 1994 compared with the comparable period 1993.<sup>21</sup> Domestic production increased between 1991 and 1992, but fell in the remaining periods of the investigation. While production capacity appears to have remained constant, capacity utilization rose sharply in 1992, but fell in 1993 and was lower in interim 1994 (January-June), than in interim 1993.<sup>22</sup> However, as noted above, these numbers are not particularly meaningful.

U.S. producer shipments of the subject product also increased during the initial period of investigation, 1991-1992, but dropped between 1992-1993, and fell more dramatically between interim 1993 and interim 1994.<sup>23</sup> Unit values increased slightly. Because of the decrease in product shipments, inventories held by U.S. producers increased significantly in the interim 1993-1994 period.<sup>24</sup>

Again, a lack of information prevents me from completely assessing the financial condition of the domestic industry.<sup>25</sup> However, based on the information available, net sales by domestic producers increased from 1991 to 1993, but dropped considerably in interim 1994 as compared to the same period 1993.<sup>26</sup> Operating income also increased slightly in the early periods of investigation, but fell dramatically in 1993, and continued this decline between the interim 1993-94 period. This general decline was reflected in net income data as well.<sup>27</sup>

Based on the foregoing, particularly given my concern that the available data on the condition of the domestic industry is incomplete and possibly unrepresentative, I find that the domestic industry is vulnerable to the continuing adverse effects of wheel inserts from Taiwan that are allegedly sold in the U.S. at less-than-fair-value.

### III. THREAT OF MATERIAL INJURY

In determining whether the domestic industry is threatened with material injury, the statute directs that I consider several factors, none of which are necessarily dispositive.<sup>28</sup> In addition, the

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<sup>21</sup> CR at I-30; PR at II-15.

<sup>22</sup> Report at Table 2.

<sup>23</sup> Report at Table 3.

<sup>24</sup> Report at Table 4.

<sup>25</sup> Only one of three domestic producers providing data in this preliminary investigation, the petitioner, was able to provide complete financial data.

<sup>26</sup> Report at Table 7.

<sup>27</sup> Id.

<sup>28</sup> These are:

(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,

(VII) any other demonstrable adverse trends that indicate probability that 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,

(continued...)

statute provides that an affirmative threat determination be made "on the basis of evidence that the threat of material injury is real and that actual injury is imminent."<sup>29</sup> I carefully scrutinized each relevant statutory factor and discuss each below.

As discussed in the related parties section of the majority's opinion, the petitioner imported a substantial volume of wheel inserts from Taiwan during the period of investigation. Petitioner ceased importing wheel inserts from Taiwan in 1993. Although I do not find appropriate circumstances to exclude the petitioner from the domestic industry, for purposes of conducting a threat analysis, I think it proper to exclude petitioner's imports from my examination of overall import trends.

Even discounting import data provided by petitioner, inventories of wheel inserts from Taiwan held by U.S. importers surged enormously between 1991 and 1993, and jumped again between interim 1993 and interim 1994.<sup>30</sup>

Although I am constrained by the lack of data on Taiwanese capacity, production, shipments, and other necessary industry indicia, the limited import data available suggests that there is fairly significant productive capacity in Taiwan. Excluding data provided by petitioner, imports of wheel inserts from Taiwan rose between 1991 and 1992, and increased substantially between 1992 and 1993.<sup>31</sup> While imports were less in interim 1994 compared with interim 1993, importers' shipments of imports from Taiwan were greater in interim 1994 than in interim 1993.<sup>32</sup>

In addition, it must be recalled that the petitioner ceased importing wheel inserts from Taiwan in 1993. Although there is some evidence in the record which indicates that the Taiwanese producer which supplied the petitioner no longer produces wheel inserts in Taiwan,<sup>33</sup> the lack of contrary data concerning other Taiwanese producers suggests that these producers are poised to enter the U.S. market and capture market share previously held by petitioner's imports.

The share of apparent consumption held by wheel inserts from Taiwan, excluding those imported by the petitioner, increased quite significantly between 1991-93.<sup>34</sup> This trend toward increased market share continued between the interim periods.<sup>35</sup>

The pricing data obtained by the Commission in this preliminary investigation are such that it is not possible to conduct a meaningful analysis of the likelihood that wheel inserts will enter the United States at prices likely to have a suppressing or depressing effect on domestic prices.

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<sup>28</sup> (...continued)

(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 1671 or 1673 of this title or to final orders under section 1671e or 1673e of this title, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both raw agricultural product (within the meaning of paragraph (4)(E)(iv) and any product processed from such raw agricultural product, the likelihood 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.

19 U.S.C. § 1677(7)(F)(i).

The Commission must further consider whether dumping findings or antidumping remedies in markets of foreign countries against the same class or kind of merchandise suggest a threat of material injury to the domestic industry. See 19 U.S.C. section 1677(7)(F)(iii).

<sup>29</sup> 19 U.S.C § 1677(7)(F)(ii).

<sup>30</sup> Report at Table 11.

<sup>31</sup> Report at Table 12.

<sup>32</sup> Id.; Table 1.

<sup>33</sup> CR at I-55; PR at II-23.

<sup>34</sup> Report at Table 13.

<sup>35</sup> Id.

#### **IV. CONCLUSION**

Based on the foregoing, including increasing imports by sources other than the petitioner, increasing market share captured by such imports, as well as the limited and speculative data available concerning both the domestic and Taiwanese industries, I find that there is a reasonable indication that the domestic industry producing wheel inserts is threatened with material injury by reason of imports of this product from Taiwan which are allegedly sold in the United States at less-than-fair-value.



**PART II**  
**INFORMATION OBTAINED IN THE INVESTIGATION**



## INTRODUCTION

On September 15, 1994, a petition was filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by Consolidated International Automotive, Inc. (Consolidated), Los Angeles, CA. The petition alleged that an industry in the United States is being materially injured and is threatened with further material injury, and cited the possibility that the establishment of an industry in the United States is materially retarded, by reason of allegedly less than fair value (LTFV) imports from the People's Republic of China (China) and Taiwan of wheel inserts.<sup>1</sup> Accordingly, effective September 15, 1994, the Commission instituted antidumping investigations Nos. 731-TA-720 and 721 (Preliminary) under section 733(a) of the Tariff Act of 1930 (Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of such merchandise into the United States. These are the first known Commission investigations on wheel inserts.

On October 5, 1994, prior to the scheduled initiation of Commerce's investigations, the petitioner filed a letter with the Commission and Commerce withdrawing the petition concerning China.<sup>2</sup> Accordingly, effective October 5, 1994, the Commission discontinued its antidumping investigation concerning wheel inserts from China (inv. No. 731-TA-720 (Preliminary))<sup>3</sup> and Commerce initiated only the antidumping investigation concerning Taiwan.

Notices of the institution of the Commission's investigations and of the discontinuance of the investigation concerning China were posted in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and published in the *Federal Register*.<sup>4</sup> Commerce published its notice of initiation of the investigation concerning wheel inserts from Taiwan in the *Federal Register* of October 12, 1994.<sup>5</sup> Copies of the Commission's and Commerce's *Federal Register* notices are presented in appendix A.

The Commission held a public conference in Washington, DC, on October 6, 1994, at which time all interested parties were allowed to present information and data for consideration by the Commission. A list of the participants in the conference is presented in appendix B.<sup>6</sup> The

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<sup>1</sup> The items covered by the scope of Commerce's investigation are wheel inserts, also referred to as lug hole inserts and insert bushings, made from steel, aluminum, brass, or zinc. A wheel insert is a washer-like product with a circular collar that protrudes into a stud hole to provide a protective seat between a lug nut and an aluminum or alloy wheel mounted on ground transportation vehicles. A wheel insert can be heat-treated or non-heat-treated, with or without knurls, and with or without surface coatings. Surface coatings include, but are not limited to, chrome plating, nickel plating, zinc plating (with or without wax coating), oxide coating, and powder coating. Wheel inserts are provided for in subheading 8708.70.60 of the Harmonized Tariff Schedule of the United States (HTS). Although the HTS subheading is provided for convenience and customs purposes, the written description is dispositive.

<sup>2</sup> On the date that Commerce was scheduled to initiate the investigations, the petitioner withdrew the petition concerning China in order to review with Commerce the methodology used in its calculation of the alleged dumping margin. The petitioner expects to refile the petition concerning China once Commerce is satisfied with the information it provides. Conference transcript, p. 39.

<sup>3</sup> Staff notes that it sent questionnaires to possible U.S. importers of wheel inserts from China and questioned participants in the wheel insert, aluminum wheel, fastener, and automotive part industries concerning the presence of Chinese wheel inserts in the U.S. market. Other than the petitioner's allegations (see petition, app. 7), staff found no evidence that there have been Chinese wheel inserts present in the U.S. market. Staff also sent a questionnaire directly to the Chinese firm alleged in the petition to be a wheel insert producer and requested information from the U.S. Embassy in China. No response was received either directly from the Chinese firm or from the U.S. Embassy in China. Staff notes that the U.S. Embassy was informed of the withdrawal of the petition and the discontinuance of the Commission's investigation on Oct. 5, 1994. Staff has learned that, \*\*\*, there is no evidence of production of wheel inserts in China.

<sup>4</sup> 59 F.R. 48639, Sept. 22, 1994. 59 F.R. 51996, Oct. 13, 1994.

<sup>5</sup> 59 F.R. 51578, Oct. 12, 1994.

<sup>6</sup> Only the petitioner filed an entry of appearance and presented testimony at the conference.

Commission voted on the investigation concerning Taiwan on October 26, 1994. The statute directs the Commission to make its preliminary determination within 45 days after receipt of the petition, or in this investigation by October 31, 1994.

## THE PRODUCT

### Description

Wheel inserts, also known as lug hole inserts or insert bushings, are steel, aluminum, brass, or zinc washer-like products,<sup>7</sup> with circular collars that protrude into the stud holes of aluminum and alloy wheels used on automobiles, trucks, vans, buses, or trailers.<sup>8</sup> In general, wheel inserts are not heat-treated, but are coated with a surface plating,<sup>9</sup> such as chrome, nickel, zinc (with or without wax coating), oxide, dacromet,<sup>10</sup> or powder.<sup>11</sup> Wheel inserts are produced in a variety of sizes depending on the type of wheel and the size of the stud hole into which they are inserted. The shape of the insert interface may be spherical (called a ball seat), or conical to fit the lug nut or the wheel lock<sup>12</sup> which is attached to the stud.

There are no significant differences between domestic and imported wheel inserts. For any given wheel insert, there may be differences based on dimensions,<sup>13</sup> plating material, or the appearance of the product based on the production method. However, generalizations of these differences based on the country of production cannot be made.<sup>14</sup>

### Uses

Wheel inserts are designed to protect aluminum and alloy wheels from being galled, worn, or in some way damaged by wheel lug nuts, which secure the wheel to the vehicle and thereby reduce problems that may cause wheels to become frequently unbalanced or, in the worst case scenario, fall off.<sup>15</sup> Wheel inserts are attached to the wheel by being pressed into the stud holes of the wheels. The inserts thereby serve as a hard, durable surface between the wheel and the lug nut, protecting

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<sup>7</sup> Most wheel inserts currently produced are made from steel, although petitioner reported that wheel inserts made from anodized aluminum and sheet metal had also been produced in the United States. The petitioner adds that the production of wheel inserts from certain types of materials, such as \*\*\*, is currently not economically viable because the materials and methods of production are too costly. \*\*\*, conference transcript, p. 21, and petitioner's supplemental submission, p. 5.

<sup>8</sup> Wheels are generally attached to vehicles by aligning a series of holes near the center of the wheel (stud holes) with an equal number of threaded pins (studs) and sliding the wheel over the studs. The studs then protrude through the stud holes so that lug nuts can be threaded onto the studs and torqued until tight against the wheel. The wheel is held in place in this manner.

<sup>9</sup> Conference transcript, pp. 33 and 55. The imported merchandise subject to this investigation includes heat-treated wheel inserts as well as the wheel inserts that are not heat treated. The scope of the investigation also includes wheel inserts with or without surface coatings and with or without knurls. The knurls are a series of small ridges formed on the outside of the wheel insert's collar to aid in the grip of the stud hole of the wheel.

<sup>10</sup> Dacromet is a patented coating required by several of the automobile manufacturers. The coating contains chromium, proprietary organics, and zinc flake. \*\*\*.

<sup>11</sup> The coating or plating serves primarily to prevent the insert from corroding, although there is some cosmetic appeal to the coating as well. \*\*\*.

<sup>12</sup> Wheel locks generally serve the function of a lug nut (to secure the wheel to the axle of the vehicle), but they are designed to be removed only with the use of some type of key to help prevent the wheel from being stolen. In general, one wheel lock is substituted for one lug nut on each wheel.

<sup>13</sup> Wheel insert dimensions must fall within certain tolerances.

<sup>14</sup> \*\*\*, petition, p. 21; and conference transcript, pp. 59-60.

<sup>15</sup> Conference transcript, pp. 7 and 19, and petitioner's postconference brief, p. 3.

the wheel from the lug nut which must be torqued tightly enough to hold the wheel onto the axle of the vehicle.

The first use of wheel inserts in the United States appears to have been on a limited basis in 1979;<sup>16</sup> however, wheel inserts gained more widespread use in the late 1980s after aluminum wheels became more popular in the United States.<sup>17</sup>

Not all aluminum and alloy wheels use inserts, primarily because not all wheel manufacturers and purchasers perceive inserts to be necessary.<sup>18</sup> For example, \*\*\* once used inserts because it perceived them to be an added safety measure. After using the inserts for \*\*\*, however, the \*\*\* stopped using them because company officials no longer believed that the inserts provided a significant safety or marketing benefit. The company officials also noted that its competitors were generally not using inserts, and the use of the inserts on only some wheels complicated not only the manufacturing process and the inventory system, but also the marketing tactics used by aluminum wheel distributors.<sup>19</sup> An official at \*\*\* expressed some skepticism regarding the necessity of inserts, but indicated that the company was using them on some of the aluminum wheels \*\*\*.<sup>20</sup> Some aluminum wheels may be manufactured in such a way as to be less susceptible to galling, and some automobile manufacturers seem to accept a certain amount of galling of the wheel as acceptable.<sup>21</sup> Also, \*\*\* indicated that the wheel insert had been "designed out" of the wheels \*\*\* because of the increased \*\*\* costs and the indifference of the wheel purchasers as to the use of the wheel insert.<sup>22</sup>

Some U.S. industry officials indicated that inserts may provide a more significant margin of safety against improper or careless installation of aluminum wheels. For example, when aluminum wheels are attached to a vehicle, lug nuts are sometimes improperly torqued, which increases the chances of damaging the wheel. Wheel inserts may help prevent damage to the wheel or extend its life span, possibly making it safer.<sup>23</sup>

The petitioner feels strongly that wheel inserts are necessary for safety reasons,<sup>24</sup> and that aluminum wheel manufacturers and automobile manufacturers have a vested interest in not admitting the need for inserts because doing so could lead to legal liabilities stemming from instances where accidents could be caused by the decision to not use wheel inserts.<sup>25</sup> On the other hand, the petitioner also has a vested interest in promoting the necessity of the product that it produces.

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<sup>16</sup> The wheel insert produced in 1979 was a similar product to the wheel insert currently produced by Consolidated. The 1979 wheel insert served the same purpose as the wheel inserts currently produced but was of a slightly different design to accommodate a "mag lug nut" with a "hex shank." Conference transcript, pp. 10-15.

<sup>17</sup> Conference transcript, pp. 19 and 72, and \*\*\*.

<sup>18</sup> \*\*\*. Once wheel inserts have been "designed in" to aluminum wheels, the wheels cannot be mounted onto the vehicle without the wheel inserts. Likewise, once wheel inserts have been "designed out" of aluminum wheels, further machining on the wheel would be necessary in order to install the inserts into the lug hole of the wheel. Conference transcript, pp. 31 and 53.

<sup>19</sup> \*\*\*.

<sup>20</sup> \*\*\*.

<sup>21</sup> Conference transcript, p. 20, and \*\*\*.

<sup>22</sup> \*\*\*; and conference transcript, p. 57.

<sup>23</sup> \*\*\*. \*\*\* indicated that he has recorded numerous cases of aluminum wheels breaking, and believes that wheel inserts could help prevent such incidents. \*\*\* believes that wheel inserts are an extra protection against improper installation of aluminum wheels. He added that if a wheel containing no wheel inserts is applied correctly (correct lug nuts, torque, etc.), there will be no safety hazard.

<sup>24</sup> Mr. Plumer stated that he had seen properly heat-treated aluminum wheels without wheel inserts that were in good shape after 15 years of use. He added that the safety issue arises primarily in the aftermarket aluminum wheels because they are not heat treated correctly. Conference transcript, p. 59.

<sup>25</sup> Conference transcript, pp. 16, 19, 59, 67, 68, and 71.

## Manufacturing Processes

There are no known significant differences in the production processes of U.S. producers compared with foreign producers.<sup>26</sup> Wheel inserts are generally produced by one of two types of processes.<sup>27</sup> The first type of production process uses a header machine that relies on cold forging to produce the insert. The process begins by feeding wire rod into the header machine. A section is cut from the wire rod to form the "blank." The blank is cold forged, or essentially pounded,<sup>28</sup> into the desired shape, and the center hole is punched out of the insert. The entire process consists of approximately six steps, some of which utilize a punch and a die that provide some aspect of the final shape of the insert. The process takes place entirely on the header machine and is highly automated. One header machine can produce about 70 inserts each minute.<sup>29</sup>

The second type of production process for wheel inserts relies on a screw machine. In this type of production method, a carbon steel round bar is inserted into the machine and rotated while cutting tools are brought to bear on one end of the steel bar. A portion of the steel bar is cut into the desired shape of the insert and then cut from the remainder of the steel bar. The cutting process is repeated on the steel bar to make the next wheel insert. Screw machine-produced wheel inserts bear the marks of the cutting tools. Although the marks are obvious only upon close inspection of the wheel insert, there is some indication that some purchasers or end users of inserts find these marks unacceptable either for functional or cosmetic reasons.<sup>30</sup>

The two most notable differences between both types of production processes relate to material use and the rate of output. Screw machines produce more scrap or waste material than do header machines. The use of a screw machine requires that the thickness of the steel bar be at least equal to the largest diameter of the insert, whereas the thickness of the rod may be smaller than the largest diameter of the insert on a header machine. While a screw machine producing inserts results in approximately two-thirds of the steel becoming scrap, only about 20 percent of the steel becomes scrap when using a header machine.<sup>31</sup>

Insert production with header machines is substantially faster than with screw machines. Whereas a screw machine typically can be expected to produce approximately 2,500 inserts per 8-hour day, a header machine can produce anywhere from 8,000 to 10,000 inserts per 8-hour day.<sup>32</sup> A producer's decision as to whether to use a screw machine or a header machine would likely also be affected by a consideration of the length of the production run. Header machines require relatively extensive setup costs and might be considered impractical for small production runs.<sup>33</sup>

Once the wheel insert is formed, in most cases, it is coated or plated to prevent corrosion and possibly to add cosmetic appeal. There are a variety of coating and plating materials that can be used in the production of wheel inserts, including chrome, nickel, zinc, oxide, powder, and

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<sup>26</sup> Petition, p. 12.

<sup>27</sup> There are no other production methods for wheel inserts known to be currently in use. Conference transcript, p. 25. However, the petitioner indicated that it is currently developing a new type of wheel insert, also referred to as a permanent conical washer, produced from sheet metal using a punch press that will be much more concentrically accurate than the wheel insert currently produced. It is not aware of any other producer of this new type of wheel insert. Conference transcript, pp. 50-53 and 55.

<sup>28</sup> The forces involved in pounding the wire rod into its final form typically vary between 120 and 180 tons.

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<sup>29</sup> \*\*\*.

<sup>30</sup> \*\*\*; and conference transcript, pp. 28-30.

<sup>31</sup> Petition, p. 13, and \*\*\*.

<sup>32</sup> Theoretically, a header machine could produce up to 20,000 wheel inserts per day were it not for the need to change tooling for different production runs during the day. \*\*\*.

<sup>33</sup> Petition, p. 14, and conference transcript, p. 28.

dacromet.<sup>34</sup> In general, the U.S.-produced wheel inserts are plated or coated by subcontracted plating operations. In most cases, the U.S. producers arrange for the plating before they are sold to the aluminum wheel manufacturers. The wheel inserts imported from Taiwan are both plated and unplated. The imported unplated inserts are generally plated by subcontracted U.S. plating operations.

### Substitute Products

There are no practical substitute products for wheel inserts, but there are various designs for mounting aluminum and alloy wheels that can make inserts unnecessary, at least in the view of some automotive industry representatives. \*\*\* designs wheels and lug nuts in such a way that its engineers do not feel that inserts are necessary. For example, \*\*\* use a larger lug nut that makes inserts unnecessary. When possible, \*\*\* prefers to eliminate additional parts, such as inserts, when the function of the part can be economically designed into the vehicle. Other alternative designs to wheel inserts include those that rely on certain types of washers.<sup>35</sup> For example, conical washers are sometimes used to protect the aluminum wheel from the lug nut. Unlike wheel inserts, washers are not permanently attached to the wheel.<sup>36</sup> Representatives of \*\*\*, while not elaborating on design alternatives, stated that they do not use wheel inserts on their cars.<sup>37</sup> \*\*\* added that its company engineers and purchasers consider wheel inserts to be an item that is sold only in the aftermarket.<sup>38</sup>

### U.S. Tariff Treatment

Wheel inserts are not specifically provided for in the HTS, but U.S. Customs Service (Customs) officials classify wheel inserts under HTS subheading 8708.70.60 (statistical reporting number 8708.70.6060) covering parts and accessories of motor vehicles of headings 8701 to 8705;

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<sup>34</sup> There is no widespread agreement within the wheel and wheel insert community regarding which coating or plating is most widely used.

<sup>35</sup> \*\*\*.

<sup>36</sup> Conference transcript, p. 22. The petitioner, in its petition, at the conference, and in its postconference brief, indicated that there are no other substitutes for wheel inserts. Conference transcript, p. 21; petition, p. 21; and petitioner's postconference brief, p. 5. In addition, other industry participants, in agreement with these statements made by the petitioner, indicated in their questionnaire responses that there are no other substitutes for wheel inserts. However, \*\*\* indicated that certain conical washers designed to protrude into stud holes could be substituted for wheel inserts. \*\*\* notes that, "While not a complete substitute, conical washers can substitute for wheel inserts. Their performance would be acceptable, but not permanent. Costs would be approximately 1/2 of wheel insert cost." In this statement, \*\*\* refers to a conical washer stamped from sheet metal that is not permanently inserted into the stud hole, such as the conical washers \*\*\* in the late 1970s. The U.S. producer \*\*\* has since gone out of business, and \*\*\* is unaware of any other U.S. producers or importers of the product. \*\*\*. In the petitioner's supplemental submission (Sept. 29, 1994, p. 6) and in its second supplemental submission (Oct. 1, 1994, p. 2), it argued that the scope of Commerce's investigation should include washers with a circular collar that protrudes into the stud hole, adding that they are "virtually indistinguishable from wheel inserts made from sheet metal." In this statement, the "wheel inserts made from sheet metal," to which the petitioner refers, is an item also known as a permanent conical washer that is permanently inserted into the stud hole. The petitioner is currently developing this item and has made no commercial sales of this new product. Conference transcript, p. 24. Commerce \*\*\* as to whether or not the conical washers, temporary or permanent, are included in the scope of the investigation, but indicated that, if they have a circular collar that protrudes into the stud hole, they are included. \*\*\*. The petitioner confirmed that conical washers, both temporary and permanent, have a collar that protrudes into the stud hole and believes these items to be included in Commerce's scope of the investigation. \*\*\*. Staff found no evidence of domestic commercial production or imports of the temporary or permanent conical washers during the period for which data were collection in the investigation.

<sup>37</sup> \*\*\*.

<sup>38</sup> \*\*\*.

road wheels and parts and accessories thereof; parts and accessories; and other nonenumerated goods.<sup>39</sup> In some cases, wheel inserts for trailers or farm tractors may be classified under HTS subheading 8716.90.10 (statistical reporting number 8716.90.1000) as parts of farm wagons and carts or under HTS subheading 8716.90.50 (statistical reporting number 8716.90.5060) as parts of other vehicles.<sup>40</sup> The column 1-general or most-favored-nation rate of duty under HTS subheadings 8708.70.60 and 8716.90.50 is 3.1 percent ad valorem, which is the rate of duty applicable to Taiwan. All imports under HTS subheading 8716.90.10 are free of duty.

### **THE NATURE AND EXTENT OF ALLEGED SALES AT LTFV**

In its petition, Consolidated based the U.S. price on a November 1993 price quotation obtained from a catalogue published by Anmax Industrial Co., Ltd. (Anmax), Kaohsiung, Taiwan, for a standard black zinc-plated wheel insert.<sup>41</sup> The terms of the price quotation were f.o.b. Kaohsiung, Taiwan, with payment based on an irrevocable sight letter of credit.<sup>42</sup>

The estimate of foreign market value was based on constructed value.<sup>43</sup> The petitioner calculated the constructed value by adjusting its own manufacturing costs for a standard black zinc-plated wheel insert for known differences in costs between the United States and Taiwan. Commerce adjusted the reported material costs to account for revenue received by petitioner from the sale of scrap material and adjusted the plating expenses to exclude the plater's selling, general, and administrative expenses and profit. Other adjustments were made to the petitioner's overhead and to the Taiwan wage rates provided by the petitioner.

The petitioner's comparison of the United States price with the foreign market value based on the constructed value for wheel inserts produced on a screw machine,<sup>44</sup> as adjusted by Commerce, resulted in an alleged dumping margin of 46.28 percent.

### **THE U.S. MARKET**

The period for which data were collected in this investigation is from January 1991 through June 1994. Presented in appendix C of this report are a summary table and a figure containing certain data on wheel inserts presented in the body of this report.

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<sup>39</sup> However, at least one importation of wheel inserts by \*\*\* is known to have been classified under HTS statistical reporting number 8708.99.5085 (other parts and accessories of certain motor vehicles), also dutiable at 3.1 percent ad valorem.

<sup>40</sup> Mr. Robert DeSoucey, National Import Specialist, Customs, telephone interview, Oct. 7, 1994.

<sup>41</sup> Anmax reported to the Commission that it is not a Taiwan producer or exporter of wheel inserts. Anmax explained in its response to the Commission's request for information that the wheel insert "shown in our catalogue (see petition, app. 2) is only an item in our field. We have no (sic) ANY market in the U.S. at present."

<sup>42</sup> A deduction was made for the credit based on the Taiwanese short-term interest rate for September 1993 and a credit period of 55 days.

<sup>43</sup> The petitioner claims that no producers in Taiwan sell the subject merchandise in Taiwan or to any third country markets.

<sup>44</sup> The Commission staff notes that, from data collected in this investigation, all of the U.S. imports of wheel inserts from Taiwan were produced on a header machine. The petitioner reports that production costs of wheel inserts are higher for a screw machine than for a header machine. Petition, app. 10.



## U.S. Producers

The Commission identified five firms that produced wheel inserts in the United States during the period of investigation.<sup>45</sup> These five firms are Automatic Components (Automatic), St. Louis, MO; Consolidated, Los Angeles, CA; Dirksen Screw Products Co. (Dirksen), Shelby Township, MI; Greer Stop Nut (Greer), Smyrna, TN; and Spartan Manufacturing (Spartan), Garden Grove, CA. One additional firm, Torx Products (Torx), Rochester, IN, reported that it has not produced commercial quantities of wheel inserts, but it is currently gearing up for such production.<sup>46</sup> From the information collected in this investigation, staff believes the firms mentioned above account for the vast majority of the U.S. production of wheel inserts during the period of investigation.<sup>47</sup>

In addition, the petitioner has indicated that the machines used to produce wheel inserts can be used to produce a large number of products<sup>48</sup> and that there are thousands of firms in the United States that have the machinery to produce these products.<sup>49</sup> The petitioner notes that the barriers to entry in this industry are very low, especially for header or screw machine operators currently producing other products.<sup>50</sup> It adds that other than the cost to develop the tooling, which is minimal, there is little further capital expenditure required.<sup>51</sup> Given a drawing or design, a screw machine operator reportedly could begin production of wheel inserts "immediately," and a header operation could begin production in about 2 months.<sup>52</sup>

The Commission requested information from the six firms mentioned above. Consolidated, the petitioner, provided the Commission with a complete response. Dirksen, Greer, Torx, and Automatic provided the Commission with partial responses, and a response to the Commission's request for information was not received from Spartan.<sup>53</sup> Certain information concerning these six firms is presented in the tabulation below and the discussion that follows:

<u>Firm</u>	<u>Position</u>	<u>Share of reported production Percent</u>	<u>Production location</u>
Automatic . . . . .	***	***	St. Louis, MO
Consolidated . . . . .	Petitioner	***	Los Angeles, CA
Dirksen . . . . .	***	***	Shelby Township, MI
Greer . . . . .	***	***	Smyrna, TN
Spartan . . . . .	***	***	Garden Grove, CA
Torx . . . . .	***	***	Rochester, IN

<sup>45</sup> In its petition, Consolidated indicated that it was the only U.S. producer of wheel inserts. Petition, p. 2 and app. 1. The Commission staff became aware of the existence of other producers several weeks after the filing of the petition through questionnaire responses and telephone interviews with industry participants.

<sup>46</sup> \*\*\*.

<sup>47</sup> The Commission staff contacted the firms believed to be the largest volume aluminum wheel manufacturers and requested information on participants in the wheel inserts industry. Firms identified by other industry participants were also contacted by Commission staff. The six U.S. producers of wheel inserts named above are the only companies identified by other participants contacted in the wheel insert, aluminum wheel, fastener, and other automotive parts industries.

<sup>48</sup> The entire fastener industry uses the same machinery used to produce wheel inserts. Conference transcript, p. 26.

<sup>49</sup> The petitioner also indicated that many of the companies have idle machinery. Conference transcript, p. 27.

<sup>50</sup> Conference transcript, pp. 9 and 19.

<sup>51</sup> Conference transcript, p. 9.

<sup>52</sup> Petitioner explains that it would require about 2 months to develop the tooling necessary for the header. Conference transcript, pp. 26-27.

<sup>53</sup> Spartan confirmed that it had produced wheel inserts \*\*\*.

## The Petitioner

Consolidated is the sole petitioner in this investigation and is the only firm identified in the petition as a U.S. producer of wheel inserts.<sup>54</sup> \*\*\*. The Commission sent a questionnaire to Consolidated and it provided a complete response to the Commission's request for information.

The petitioner, a U.S. producer of unplated wheel inserts, wheel locks, lug nut washers, and chrome-plated lug nuts,<sup>55</sup> developed the wheel insert for widespread use in 1987.<sup>56</sup> Based on data collected in this investigation, its production of wheel inserts accounted for \*\*\* percent of reported U.S. production of wheel inserts from January 1991 through June 1994. Consolidated's affiliate, Auto Tech Industries, Inc. (Auto Tech), \*\*\*, began importing unplated wheel inserts in \*\*\* and ceased importing in \*\*\*.<sup>57</sup> All of the wheel inserts produced by Consolidated and imported by Auto Tech were marketed in the United States by Consolidated. Although Consolidated produced unplated wheel inserts continuously throughout the period of investigation, the type of unplated wheel insert that its affiliate imported (UW630)<sup>58</sup> was not produced for sale by Consolidated during the period of investigation.<sup>59</sup> Consolidated produces six or seven different types of wheel inserts, including the UW690.<sup>60</sup> The UW630 wheel insert imported from Taiwan by Consolidated's affiliate was the largest volume wheel insert sold by Consolidated during the period of investigation. \*\*\* percent of Consolidated's total sales of wheel inserts during this period were of the imported UW630.

Industry participants have indicated that, in general, wheel inserts must be plated or coated before insertion into the lug hole of a wheel because unplated wheel inserts quickly corrode.<sup>61</sup> During the period of investigation, all of Consolidated's imported and U.S.-produced unplated wheel inserts were plated by unaffiliated subcontractors.<sup>62</sup> The processing charge for black zinc plating, the type of plating that is in greatest demand for Consolidated's wheel inserts,<sup>63</sup> was approximately \*\*\* per insert.<sup>64</sup> Another type of plating, a patented dacromet coating, is required by many of the automobile manufacturers and is applied by unaffiliated subcontractors at \*\*\* per insert.<sup>65</sup> Compared to zinc, dacromet has three times the corrosion resistance.

Consolidated indicated that its primary reason for filing the petition was the loss of its major customer, \*\*\*, to lower priced imports from Taiwan in late 1993.<sup>66</sup> \*\*\* was not only Consolidated's largest customer, it accounted for the majority of Consolidated's sales of wheel inserts.<sup>67</sup> All of Consolidated's sales of wheel inserts to other customers remained the same, and it indicated that it

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<sup>54</sup> Petition, p. 2 and app. 1.

<sup>55</sup> Chrome-plated lug nuts were the subject of antidumping investigations filed in 1991 by Consolidated. See U.S. International Trade Commission, *Chrome-plated Lug Nuts From the People's Republic of China and Taiwan*, Invs. Nos. 731-TA-474 and 475 (Final), USITC Pub. 2427, Sept. 1991.

<sup>56</sup> Conference transcript, p. 34, and petition, app. 1.

<sup>57</sup> Auto Tech ceased \*\*\*.

<sup>58</sup> The UW630 has an inside diameter (ID) of 0.63 inches.

<sup>59</sup> \*\*\*.

<sup>60</sup> The UW690 has an ID of 0.69 inches. Conference transcript, p. 30.

<sup>61</sup> \*\*\*.

<sup>62</sup> Conference transcript, p. 34. Although Consolidated maintains plating operations on site, these facilities are used primarily for chrome-plating the lug nuts that it produces. The firm explains that it currently only has a permit for chrome plating and could plate wheel inserts with chrome if the customer requests such, but does not possess a permit for other types of plating. Conference transcript, p. 35.

<sup>63</sup> \*\*\* percent of Consolidated's sales of wheel inserts were plated with black zinc.

<sup>64</sup> Petition, app. 10. For a breakdown of Consolidated's cost of production, see the section of this report entitled "Financial Experience of U.S. Producers."

<sup>65</sup> \*\*\*.

<sup>66</sup> \*\*\*.

<sup>67</sup> \*\*\*.

was unaware of any customers, other than \*\*\*, that were importing wheel inserts from Taiwan.<sup>68</sup> \*\*\*,<sup>69</sup> \*\*\*<sup>70</sup> \*\*\* (see appendix D). \*\*\* (see appendix E).

\* \* \* \* \*

Another reason Consolidated filed the petition is that it believes that the demand for wheel inserts by the automobile manufacturers will increase in the near future and it would like to see the U.S. producers serve this future market. Consolidated asserts that once an automobile manufacturer begins using an item, the aftermarket immediately follows. It reports that it is currently negotiating with two wheel manufacturers (\*\*\*) to supply the automobile manufacturers for orders that could reach 0.75 million inserts each month. It believes that the potential for the wheel inserts market is several hundred million inserts per year.<sup>72</sup>

A third reason Consolidated filed the petition is that it is concerned about its ability to remain in the wheel insert business. Although Consolidated indicated that it has not been injured by reason of the imports of wheel inserts, it stressed that it may be threatened with injury in the future.<sup>73</sup>

### Automatic Components

The Commission requested information from Automatic concerning its U.S. production of wheel inserts and it provided a partial response to the Commission's request for information. Based on data collected in this investigation, Automatic's production of wheel inserts accounted for \*\*\* percent of reported U.S. production of wheel inserts from January 1991 to June 1994. Automatic, \*\*\*, is a screw machine job shop that produces a wide variety of products. The firm added that in many cases, it \*\*\*. During the period of investigation, Automatic produced unplated wheel inserts on screw machines and arranged for the plating to be applied by unaffiliated subcontractors. Most of the firm's unplated wheel inserts were plated with zinc at a cost of \*\*\* each and were then sold to \*\*\*. The firm \*\*\* stating that \*\*\*.<sup>74</sup>

### Dirksen Screw Products Co.

The Commission sent a producers' questionnaire to Dirksen and it provided a partial response to the Commission's request for information. Dirksen, \*\*\*, began producing wheel inserts in the United States in \*\*\*. It is \*\*\* U.S. producer of wheel inserts, accounting for \*\*\* percent of reported U.S. production of wheel inserts from January 1991 to June 1994. The firm stated \*\*\* and provided the following statement on its position on the petition.

"\*\*\*. We are a screw machine products job shop making a wide variety of parts to customer specifications on a job order basis. \*\*\*. We do manufacture wheel inserts on a job order basis only, \*\*\*, \*\*\*."<sup>75</sup>

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<sup>68</sup> Conference transcript, pp. 37 and 87-88, and petition, app. 1.

<sup>69</sup> \*\*\*.

<sup>70</sup> \*\*\*.

<sup>71</sup> \*\*\*.

<sup>72</sup> Conference transcript, p. 8, and \*\*\*, \*\*\*.

<sup>73</sup> Conference transcript, pp. 83 and 88-89. In its postconference brief, counsel for petitioner contends that Consolidated is being materially injured and is threatened with continued material injury. Petitioner's postconference brief, p. 8.

<sup>74</sup> \*\*\*.

<sup>75</sup> \*\*\*.

Dirksen indicated that it is a producer of a wide variety of screw-machined products and, given a drawing or design, it could produce any screw-machined product the customer requests. During the period of investigation, Dirksen produced unplated wheel inserts to specific orders and arranged with subcontractors for the plating to be applied. It reported that \*\*\* percent of its wheel inserts are plated with dacromet and \*\*\* percent are coated with zinc. Dirksen reported that the cost of the application of the dacromet coating was approximately \*\*\* per insert.

### Greer Stop Nut

The Commission received certain information from Greer concerning its production of wheel inserts. The firm indicated that it is a screw machine business that produces many products on a job-order basis. It reported that it produced unplated wheel inserts \*\*\*. Greer's share of reported 1993 U.S. production of wheel inserts was \*\*\* percent, but its share of reported U.S. production from January 1991 to June 1994 was \*\*\* percent. All of the firm's plating of wheel inserts in \*\*\* was subcontracted out for the dacromet coating \*\*\*. \*\*\*<sup>76</sup> \*\*\*<sup>77</sup>

### Spartan Manufacturing

The Commission requested information from Spartan concerning its U.S. production of wheel inserts. Spartan reported that it had \*\*\* produced wheel inserts, \*\*\*. It added that \*\*\*. The firm indicated that the wheel inserts that it produced were plated with nickel and gold cadmium but \*\*\*. In fact, Spartan reported that the imports from Taiwan were \*\*\*. Spartan indicated \*\*\*.<sup>78</sup>

### Torx Products

The Commission requested information from Torx concerning its production of wheel inserts. Torx reported that it is a manufacturer of fasteners and has not yet produced commercial quantities of wheel inserts, but has produced sample quantities in the recent past.<sup>79</sup> The samples of wheel inserts produced by Torx were produced on both a screw machine and a header and were plated with zinc by several unaffiliated subcontractors. The firm stated \*\*\*.<sup>80</sup>

### Plating Subcontractors

The Commission requested that all U.S. producers of wheel inserts identify the platers of their product. Four firms were identified as having plated wheel inserts during the period of investigation, and the Commission requested certain information from these four companies concerning the plating of wheel inserts.<sup>81</sup>

Gardena Plating Co., Inc. (Gardena), Gardena, CA, and Sav-On Plating, Inc. (Sav-On), Paramount, CA, were identified by \*\*\* as subcontractors of the black zinc plating. Gardena reported to the Commission \*\*\*<sup>82</sup> and Sav-On \*\*\*.

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<sup>76</sup> \*\*\*.

<sup>77</sup> \*\*\*.

<sup>78</sup> \*\*\*.

<sup>79</sup> It reported \*\*\*.

<sup>80</sup> \*\*\*.

<sup>81</sup> A fifth firm (Amack Co., Cleveland, OH) was also identified by \*\*\* as a dacromet plater, but the Commission was unable to locate the company.

<sup>82</sup> \*\*\* was advised by Gardena that the cost of its equipment, permits, EPA certification, and waste treatment for zinc plating are approximately \*\*\* and that the cost of plating wheel inserts is \*\*\* per insert.

Elco Industries, Inc. (Elco), Logansport, IN, was identified by \*\*\* as its subcontractor for the application of the dacromet coating required by the automobile manufacturers. Elco provided a partial response to the Commission's request for information. In its response, Elco indicated that it is a job shop that coats a large number of items (e.g., roof clips, springs, automotive parts) with the patented dacromet coating for many different customers. \*\*\*<sup>83</sup> Elco stated the following \*\*\*.

" \* \* \* \* \*

Elco reported that the value added by its application of the dacromet coating is approximately \*\*\* per insert and provided the following explanation for the technical expertise involved in plating wheel inserts. "We are a coating and plating job shop with expertise in our field. Dacromet is a patented process and is readily available to be applied by many licensees." The Commission requested that Elco report its capital investment regarding wheel inserts and to indicate whether it had been influenced by the presence of imports from Taiwan. Elco responded \*\*\*. \*\*\*.

Michigan Metal Coating Co. (Michigan Metal), Rochester Hills, MI, was also identified as a dacromet plater by \*\*\*. \*\*\* reported that the cost of the dacromet coating applied by Michigan Metal was approximately \*\*\* per insert.<sup>85</sup> A representative of Michigan Metal reported that it has coated approximately \*\*\* wheel inserts annually with dacromet for \*\*\*<sup>86</sup> at a cost of approximately \*\*\* per wheel insert. The plating company, \*\*\*, reported that it is a subcontractor that coats a wide variety of fasteners and stampings \*\*\*. The firm added that its largest volume products are \*\*\*. It also reported that the technical expertise involved in coating products is measured on a different scale than that of wheel inserts production. Different requirements must be met, that is, those that are specific to plating operations. Michigan Metal indicated \*\*\*.<sup>87</sup>

### U.S. Importers

The Commission sent questionnaires requesting information concerning U.S. imports of wheel inserts to over 50 firms, one of which is a company affiliated with the petitioner. These firms were identified as possible importers of the subject product by the petitioner,<sup>88</sup> other industry participants, and Customs. Of the questionnaire recipients, 6 firms responded that they imported wheel inserts during the period of the investigation;<sup>89</sup> 12 firms indicated that they purchased but did not import wheel inserts;<sup>90</sup> 22 firms indicated that they did not import or otherwise purchase wheel inserts; and 4 firms did not respond to the Commission's request.<sup>91</sup> In these investigations, the import data collected through questionnaire responses are believed to represent the vast majority of the imports of wheel inserts. Because the HTS statistical reporting number under which wheel inserts enter the United States includes an extremely large number of products in addition to wheel

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<sup>83</sup> \*\*\*.

<sup>84</sup> \*\*\*.

<sup>85</sup> \*\*\*.

<sup>86</sup> \*\*\*.

<sup>87</sup> \*\*\*.

<sup>88</sup> In its petition, Consolidated did not identify the U.S. importers of the subject merchandise. Petition, p. 7. \*\*\*.

<sup>89</sup> Three of these firms (\*\*\*) were importers of the subject product from Taiwan and three were importers of wheel inserts from Japan. Based on information collected in this investigation, there is no evidence of measurable quantities of imports of wheel inserts from any country other than Taiwan and Japan.

<sup>90</sup> These firms were instructed to provide the names of the companies from whom they purchased wheel inserts. Commission staff sent inquiries to the firms named in these questionnaires.

<sup>91</sup> Questionnaires sent to eight other firms were returned by the delivery service because the firms were no longer at the address listed. Also, the telephone numbers for these firms were either disconnected or unlisted, and no forwarding addresses had been given.

inserts, official import statistics are not useful, so questionnaire data for U.S. imports of the subject and nonsubject merchandise are presented in this report.

### **Channels of Distribution**

Wheel inserts produced in the United States during the period for which data were collected in the investigation were generally sold with a plating directly to aluminum wheel manufacturers for use in their production process.<sup>92</sup> Two of the three firms that imported wheel inserts from Taiwan during this period are U.S. aluminum wheel manufacturers that consumed the plated imports in their production of aluminum wheels. The third firm, Auto Tech, an affiliate of the petitioner, imported unplated wheel inserts from Taiwan and the petitioner, Consolidated, arranged for the imports to be plated by a subcontractor.<sup>93</sup> These plated wheel inserts were then sold directly to aluminum wheel manufacturers.

### **Apparent U.S. Consumption**

Data on apparent U.S. consumption of wheel inserts are presented in figure 1 and table 1. These data were calculated based on data received from the U.S. producers and importers of wheel inserts.

Figure 1

Wheel inserts: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1991-93

\* \* \* \* \*

During the period of the investigation, the wheel inserts consumed in the U.S. production of aluminum wheels were manufactured in the United States and imported from Japan and Taiwan. Total apparent U.S. consumption of wheel inserts (in terms of quantity and value) increased from 1991 to 1993, but fell in the first half of 1994 compared with the comparable period in 1993. The decline in 1994 may be the result of a move by several manufacturers of aftermarket aluminum wheels to "design out" the part in their production process.<sup>94</sup>

### **CONSIDERATION OF ALLEGED MATERIAL INJURY**

Consolidated, Dirksen, Greer, and Automatic provided the Commission with certain data concerning their U.S. production of wheel inserts; however, Automatic's data were provided too late to be included in the aggregate data presented in this report.<sup>95</sup> Torx did not produce market quantities of wheel inserts during the period of the investigation and, therefore, had no data to

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<sup>92</sup> In most instances, the plating was applied by an unaffiliated subcontractor of the U.S. producer. In a few instances, the plating was applied by an unaffiliated subcontractor of the purchaser.

<sup>93</sup> The imports from Taiwan by the two aluminum wheel manufacturers accounted for \*\*\* of imports from Taiwan in 1991, \*\*\* in 1992, \*\*\* in 1993, and \*\*\* in the first half of 1994. The remaining subject imports in each period were imported by Auto Tech.

<sup>94</sup> \*\*\* aluminum wheel manufacturers have begun to "design out" the use of wheel inserts in their aluminum wheel production process because of the \*\*\* costs and because of the indifference by the aluminum wheel purchasers as to whether or not the wheel inserts are used. \*\*\*.

<sup>95</sup> Automatic's data reveal that it accounted for \*\*\* of U.S. production of wheel inserts during the period of the investigation and \*\*\*. Automatic reported that during the period of investigation, \*\*\*.

Table 1

Wheel inserts: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 units)</i>					
Producers' U.S. shipments . . . . .	***	***	***	***	***
Importers' U.S. shipments:					
Taiwan:					
Petitioner . . . . .	***	***	***	***	***
Other . . . . .	***	***	***	***	***
Taiwan, total . . . . .	***	***	4,136	***	1,503
Japan . . . . .	3,922	***	***	***	2,394
Import, total . . . . .	***	7,060	***	4,700	3,897
Consumption, total . . . . .	***	***	***	***	***
<i>Value (1,000 dollars)</i>					
Producers' U.S. shipments . . . . .	***	***	***	***	***
Importers' U.S. shipments:					
Taiwan:					
Petitioner . . . . .	***	***	***	***	***
Other . . . . .	***	***	***	***	***
Taiwan, total . . . . .	***	***	418	***	149
Japan . . . . .	816	***	***	***	511
Import, total . . . . .	***	1,133	***	629	660
Consumption, total . . . . .	***	***	***	***	***
<i>Unit value</i>					
Producers' U.S. shipments . . . . .	\$***	\$***	\$***	\$***	\$***
Importers' U.S. shipments:					
Taiwan:					
Petitioner . . . . .	***	***	***	***	***
Other . . . . .	***	***	***	***	***
Taiwan, average . . . . .	***	***	.10	***	.10
Japan . . . . .	.21	***	***	***	.21
Import, average . . . . .	***	.16	***	.13	.17
Consumption, average . . . . .	***	***	***	***	***

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

provide, and Spartan \*\*\* did not provide specific information regarding its \*\*\* production of wheel inserts. Based on information collected in this investigation, staff believes that Consolidated, Dirksen, and Greer account for about \*\*\* percent of the U.S. production of wheel inserts.

### U.S. Capacity and Production

Only Consolidated provided the capacity data requested,<sup>96</sup> but Consolidated, Dirksen, and Greer provided production data. Reported capacity and production data are presented in table 2. The aggregate production data show that U.S. production of wheel inserts increased from 1991 to 1992, but fell in the remaining periods of the investigation.

Table 2

Wheel inserts: U.S. capacity, production, and capacity utilization, by producers, 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

Capacity data reported by Consolidated, which \*\*\* throughout the entire period of the investigation, were calculated based on operating \*\*\* hours per week, \*\*\* weeks per year. Consolidated has the capability to produce chrome-plated lug nuts, lug nut washers, and wheel locks \*\*\*. Therefore, the firm's capacity data concerning wheel inserts are allocations based on the sales of the firm's range of products. The utilization of Consolidated's calculated capacity to produce wheel inserts, which \*\*\* during the entire period of investigation, \*\*\*. \*\*\*.

\* \* \* \* \* \*97 98

### U.S. Producers' Shipments

Consolidated, Dirksen, and Greer provided shipment data concerning the domestically produced wheel inserts. These data are presented in table 3. The U.S. producers' shipments (on the basis of both quantity and value), \*\*\*,<sup>99</sup> increased from 1991 to 1992, but fell in the remaining periods for which data were collected in the investigation. The reasons behind the decline in shipments are \*\*\*. Average unit values for the U.S. producers' shipments increased from 1991 to 1993, but fell from the first half of 1993 to the comparable period in 1994.

\* \* \* \* \*

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<sup>96</sup> The capacity and capacity utilization data are not entirely meaningful in this investigation because they are arbitrary allocations calculated for a product that accounts for a very small portion of the firms' total product sales. In fact, the petitioner indicated that it has excess capacity in its overall operation and can easily switch production of products within its product line. Petition, p. 24. \*\*\* indicated that allocations of capacity and calculated capacity utilization would be difficult to provide and would not be particularly meaningful because

\*\*\*  
<sup>97</sup> \*\*\*  
<sup>98</sup> \*\*\*  
<sup>99</sup> \*\*\*



Table 3

Wheel inserts: U.S. producers' shipments, by producers, 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

#### U.S. Producers' Inventories

\*\*\*. \*\*\* inventory data, \*\*\*, are presented in table 4. \*\*\*.

Table 4

Wheel inserts: End-of-period inventories of U.S. producers, 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

#### U.S. Employment, Wages, and Productivity

\*\*\* provided the employment information requested.<sup>100</sup> \*\*\* indicated that \*\*\*. The \*\*\* employment data are, therefore, based on allocations. The employment data provided by \*\*\* are presented in table 5.

Table 5

Average number of production and related workers in Consolidated's establishment wherein wheel inserts are produced, hours worked, total compensation and hourly total compensation paid to such employees, productivity, and unit labor costs, by products, 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

In the questionnaire, the Commission asked, "Did you reduce the number of production and related workers producing wheel inserts by at least 5 percent or 50 workers, during any of the period January 1991-June 1994?" Consolidated responded \*\*\*.<sup>101</sup>

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<sup>100</sup> For the same reasons explained earlier in the section of this report entitled "U.S. Capacity and Production," employment data are difficult to correctly allocate and are not particularly meaningful. In addition, \*\*\*, \*\*\*.

<sup>101</sup> The petitioner points out that measuring the impact of reduced production of wheel inserts on employment is difficult because of the number of products produced on the same equipment and machinery and by the same employees and the capital-intensive nature of the production process. It explains that with a decline in the production of wheel inserts, the workers are not laid off, but are switched to the production of other products. Petition, pp. 24-25.

## Financial Experience of U.S. Producers

Financial information was provided on wheel insert operations in addition to overall establishment operations by the petitioner, Consolidated, and two other U.S. producers.<sup>102</sup> These data, believed to represent the majority of production of wheel inserts during the period of investigation, are presented in this section.

### Overall Establishment Operations

Income-and-loss data on the overall establishment operations are presented in table 6. The overall establishment data for the producers, other than Consolidated, included in table 6 are derived from their estimated wheel insert data because overall establishment data were not provided by these producers.

\* \* \* \* \*

Table 6

Income-and-loss experience of U.S. producers on the overall operations of their establishments wherein wheel inserts are produced, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

\*\*\*. \*\*\*. \*\*\* does not do any plating for Consolidated's wheel inserts, which are subcontracted out. Another company (Auto Tech) \*\*\* was an importer of \*\*\*; however, Auto Tech's operations were \*\*\*. (Auto Tech imported the subject wheel inserts until \*\*\*) Auto Tech's facility is \*\*\*. Both imports and manufactured products are marketed together by Consolidated.

\* \* \* \* \*

In addition to the product under investigation, Consolidated indicated in its questionnaire response that it produces lug nuts, washers, and wheel locks. Wheel insert 1993 net sales were \*\*\* percent of overall establishment net sales.

### Operations on Wheel Inserts

Income-and-loss data for the U.S. producers' wheel insert operations are presented in table 7. Because the petitioner, Consolidated, did not identify other U.S. producers and because the two other producers identified by the staff were discovered at a late date, these two producers provided only limited financial data. Therefore, certain financial information on wheel inserts presented in this report are for only Consolidated.

<sup>102</sup> These two producers are Dirksen and Greer. \*\*\*.

<sup>103</sup> USITC, *Chrome-plated Lug Nuts From the People's Republic of China and Taiwan*, Invs. Nos. 731-TA-474 and 475 (Final), USITC Pub. 2427, Sept. 1991.

<sup>104</sup> Conference transcript, p. 64.

Table 7

Income-and-loss experience of U.S. producers on their operations producing wheel inserts, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

The U.S. industry is characterized as one made up of relatively small machine shops that produce on a job-order basis. Another characteristic of the industry is the relatively small size of wheel insert operations compared with the size of total operations. For instance, for all three producers, wheel inserts are \*\*\* of the overall establishment net sales.

It has been stated that there are probably thousands of machine shops that have the equipment to produce the product since it is comparatively simple to manufacture.<sup>105</sup> Because the product is generally produced on an order basis only, is a relatively inexpensive item to produce, and is not a major item for any producer, the data collected represent the "best estimates" of the producers. Even the petitioner, Consolidated, conceded that wheel inserts have a \*\*\* impact on its operations. It stated in its questionnaire response that

"\* \* \* \* \*

Selected financial data for each of the producers are presented in the following tabulation (*in thousands of dollars, except where noted*):

\* \* \* \* \*

Raw material costs are the major manufacturing costs for wheel inserts. Consolidated's per-unit income and loss (the other producers did not provide the information) is presented in the following tabulation:

\* \* \* \* \*

After eliminating subcontractor plating costs (approximately \*\*\* per unit) from cost of goods sold, Consolidated's value added for direct labor and other factory costs as a percent of cost of goods sold is approximately \*\*\* percent \*\*\*.

#### Investment in Productive Facilities

The value of property, plant, and equipment and total assets for Consolidated are presented in table 8. The return on total assets for Consolidated may be \*\*\*.

\* \* \* \* \*

Table 8

Value of assets and return on assets of Consolidated's establishment wherein wheel inserts are produced, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

<sup>105</sup> Conference transcript, p. 27.

## Capital Expenditures

The capital expenditures reported by Consolidated are presented in table 9.

Table 9

Capital expenditures by Consolidated, by products, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

## Research and Development Expenses

The research and development expenses reported by Consolidated are presented in table 10.

Table 10

Research and development expenses of Consolidated, by products, fiscal years 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

## Capital and Investment

The Commission requested the U.S. producers to describe any actual or potential negative effects of imports of wheel inserts from Taiwan on their existing development and production efforts, growth, investment, and ability to raise capital. Consolidated's and Automatic's responses are shown below.

### Responses of U.S. producers to the following questions:

1. Since January 1, 1991, 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 wheel inserts from the People's Republic of China or Taiwan?

\* \* \* \* \*

2. Does your firm anticipate any negative impact of imports of wheel inserts from the People's Republic of China or Taiwan?

\* \* \* \* \*

3. Has the scale of capital investments undertaken been influenced by the presence of imports of wheel inserts from the People's Republic of China or Taiwan?

\* \* \* \* \*

## CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY

Section 771(7)(F)(i) of the Act (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 factors<sup>106</sup>--

- (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,
- (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 736, are also used to produce the merchandise under investigation,

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<sup>106</sup> 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."

(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.<sup>107</sup>

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." Available information 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 indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows. Other threat indicators have not been alleged or are otherwise not applicable.

#### U.S. Importers' Inventories

\*\*\* firms that imported the subject product from Taiwan (\*\*\*) reported \*\*\* during the period for which data were collected in the investigation, although \*\*\*.<sup>108</sup> \*\*\*. The U.S. importers' inventory data are presented in table 11.

Table 11

Wheel inserts: End-of-period inventories of U.S. importers, by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

From 1991 to 1993, inventories of wheel inserts imported from Taiwan increased \*\*\* in terms of quantity. Likewise, the ratio of inventories to total shipments of the Taiwan product increased during this time period. From June 30, 1993, to June 30, 1994, inventories of wheel inserts from Taiwan fell in absolute terms, but increased as a percentage of total shipments.

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<sup>107</sup> 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 General Agreement on Tariffs and Trade (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."

<sup>108</sup> Auto Tech, the petitioner's affiliate, imported the wheel inserts and \*\*\*.

## Ability of the Producers in Taiwan to Generate Exports and the Availability of Export Markets Other than the United States

In its petition, Consolidated listed 10 companies in Taiwan that it believed were manufacturing wheel inserts in Taiwan and/or exporting wheel inserts from Taiwan to the United States. \*\*\* also identified the Taiwan company from whom it purchased its imported wheel inserts, but \*\*\*. Three additional firms were identified by staff through telephone interviews as possible producers of wheel inserts in Taiwan. The Commission sent letters directly to several of the companies in Taiwan for whom facsimile numbers were available, requesting certain information regarding their production, capacity, inventories, and shipments of wheel inserts in Taiwan. In addition to the requests made directly to the companies in Taiwan, the Commission requested information on the Taiwan wheel inserts industry from the American Institute in Taiwan (AIT).<sup>109</sup> Information concerning the wheel inserts industry in Taiwan received by the Commission directly from firms in Taiwan and indirectly through AIT is presented in the following discussion.

Of the 14 firms in Taiwan named as possible producers and/or exporters of wheel inserts, 7 reported that they had neither produced nor exported the subject product during the period of investigation. These seven firms are Anmax;<sup>110</sup> Goldminate Associates, Inc.; Multigrand Industries, Inc.; Chia Fu Enterprise Co., Ltd.; Shuang Rong Shing Traffic Material Factory Co., Ltd.; Trade Union International Inc./Top Line; and Wei Shun Enterprise Co., Ltd. Three of the 14 firms (Gingen Metal Corp.; Hwen Hsin Enterprises Co., Ltd.; and Kwan How Enterprises Co., Ltd.) did not respond to the request for information.

Four of the firms surveyed (Aegean Enterprises Co., Ltd.; Chu Fong Metallic Electric Co., Ltd.; San Chien Electric Industrial Works, Ltd.; and San Shing Hardware Works Co., Ltd.) reported that they produced wheel inserts in Taiwan during the period of investigation. However, no data concerning production, capacity, capacity utilization, inventories, or shipments were provided.

\*\*\* reported that \*\*\* companies produce wheel inserts for export and \*\*\*. \*\*\* indicated that his company exports wheel inserts \*\*\*.<sup>111</sup> \*\*\* reported to the Commission through AIT that "\*\*\*\*. However, the company does not produce or export wheel inserts." Consolidated identified \*\*\* as its affiliate's supplier of imported wheel inserts until \*\*\*, but was informed by \*\*\* that it \*\*\*.<sup>112</sup>

Another firm identified by AIT, Buxton International Corp. (Buxton), reported that, although it is not a manufacturer of wheel inserts, it exports wheel inserts manufactured by another company. Buxton provided information on its exports of wheel inserts to the United States, but \*\*\*. Buxton reported that it exported \*\*\*.

According to \*\*\*, wheel inserts are "a low-tech item," and the producers of the product in Taiwan have moved production elsewhere because of high local labor costs and low profit margins. \*\*\* predicted that the production, capacity, and capacity utilization rate of the Taiwan wheel inserts industry in 1994 and 1995 would continue to decline \*\*\*. According to information provided to AIT, there are no known tariff or non-tariff barriers to curb Taiwan's exports of wheel inserts to the United States; however, sources in Taiwan described the production of wheel inserts in Taiwan "as an industry in decline."

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<sup>109</sup> \*\*\*.

<sup>110</sup> In its petition, Consolidated included a catalogue of products published by Anmax that pictures wheel inserts (see petition, app. 2). Anmax explained in its response to the Commission's request for information that the wheel insert "shown in our catalogue is only an item in our field. We have no (sic) ANY market in the U.S. at present."

<sup>111</sup> \*\*\*.

<sup>112</sup> Petition, p. 7. Consolidated's affiliate, Auto Tech, imported \*\*\*.

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

### U.S. Imports

The import data received from the five wheel insert importers are believed to account for a majority of the imports of wheel inserts from Taiwan and Japan. The Commission has found no evidence of measurable quantities of imports of wheel inserts from any source other than Japan and Taiwan.<sup>113</sup> The import data received by the Commission in this investigation are presented in table 12.

The volume and value of U.S. imports of wheel inserts from Taiwan increased from 1991 to 1993, but fell \*\*\* in the first half of 1994. Auto Tech, an affiliate of the petitioner in this investigation, imported a \*\*\* amount of wheel inserts from Taiwan for the petitioner during the period of investigation.<sup>114</sup> Based on quantity, Auto Tech's imports accounted for \*\*\* percent of total subject imports in 1991, \*\*\* percent in 1992, and \*\*\* percent in 1993. All of Auto Tech's imports, which were the unplated UW630 wheel insert, were transferred to Consolidated, which arranged for the subcontracted plating and eventual sale to U.S. aluminum wheel manufacturers. The imported UW630 was the \*\*\* wheel insert for Consolidated. In fact, \*\*\* percent of Consolidated's sales of wheel inserts during the period for which data were collected in the investigation were of the imported UW630.

Another of the importers of the Taiwan wheel inserts (\*\*\*) indicated that it had ceased using wheel inserts in its production of wheels and the \*\*\* importer of the Taiwan wheel inserts (\*\*\*) indicated that it had begun to "design out" the product in its production of wheels. Only one of the \*\*\* importers of wheel inserts from Taiwan (\*\*\*) reported that it arranged for the importation of the product into the United States after June 30, 1994. \*\*\* reported that \*\*\* wheel inserts from Taiwan were delivered in \*\*\*.

### U.S. Market Penetration by the Subject Imports

Market penetration data are calculated based on questionnaire responses containing data concerning U.S. shipments by U.S. producers and U.S. shipments by U.S. importers of wheel inserts from Taiwan and Japan. These calculated shares of U.S. consumption are presented in table 13 and figure 2.

The share of apparent U.S. wheel inserts consumption held by all subject imports, which were comprised mostly of \*\*\*, increased from 1991 to 1993, but fell in the first half of 1994. The petitioner's affiliate ceased importing wheel inserts from Taiwan in \*\*\*. The U.S. producers' share of apparent consumption increased from 1991 to 1992, but fell in 1993. A decline in the U.S. producers' share was also reported in the first half of 1994, as the share held by the Japanese imports increased by \*\*\* percentage points.

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<sup>113</sup> \*\*\*.

<sup>114</sup> Consolidated developed the wheel insert for widespread use in 1987, and its affiliate, Auto Tech, began importing wheel inserts for Consolidated in \*\*\*. Auto Tech ceased importing wheel inserts in \*\*\*. Mr. Mark Plumer, \*\*\*, indicated that he began importing wheel inserts because he "could buy them so cheap" and that he ceased importing wheel inserts because he is a manufacturer and does not want to lose his manufacturing capabilities. Conference transcript, p. 32, and petitioner's postconference brief, p. 6.



Table 12

Wheel inserts: U.S. imports, by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	1991	1992	1993	Jan.-June-- 1993	1994
<i>Quantity (1,000 units)</i>					
Taiwan:					
Petitioner . . . . .	***	***	***	***	***
*** . . . . .	***	***	***	***	***
*** . . . . .	***	***	***	***	***
Taiwan, total . . . . .	***	***	***	***	***
Japan . . . . .	***	***	***	***	***
Total imports . . . . .	7,192	7,519	8,605	5,189	3,033
<i>Value (1,000 dollars)</i>					
Taiwan:					
Petitioner . . . . .	***	***	***	***	***
*** . . . . .	***	***	***	***	***
*** . . . . .	***	***	***	***	***
Taiwan, total . . . . .	***	***	***	***	***
Japan . . . . .	***	***	***	***	***
Total imports . . . . .	992	1,009	1,075	553	558
<i>Unit value</i>					
Taiwan:					
Petitioner . . . . .	\$***	\$***	\$***	\$***	\$***
*** . . . . .	***	***	***	***	***
*** . . . . .	***	***	***	***	***
Taiwan, average . . . . .	***	***	***	***	***
Japan . . . . .	***	***	***	***	***
Average, all imports . . . . .	.14	.13	.12	.11	.18
<i>Share of total quantity (percent)</i>					
Taiwan:					
Petitioner . . . . .	***	***	***	***	***
*** . . . . .	***	***	***	***	***
*** . . . . .	***	***	***	***	***
Taiwan, total . . . . .	***	***	***	***	***
Japan . . . . .	***	***	***	***	***
Total imports . . . . .	100.0	100.0	100.0	100.0	100.0

Note.--Because of rounding, shares may not add to the totals shown. Unit values are calculated using data of firms supplying both numerator and denominator information.

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

Table 13

Wheel inserts: Market shares of U.S. shipments of domestic product and U.S. shipments of imports by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

Figure 2

Wheel inserts: Market shares of U.S. shipments of domestic product and U.S. shipments of imports by sources, 1991-93, Jan.-June 1993, and Jan.-June 1994

\* \* \* \* \*

## Prices

### Marketing Characteristics

The demand for wheel inserts is derived from the demand for the aluminum and alloy wheels that use these inserts. However, not all of these wheels are designed to use wheel inserts, and the majority use no wheel inserts at all. Moreover, wheel manufacturers reported that they can easily eliminate the use of wheel inserts in their wheel production.<sup>115</sup> The petitioner, Consolidated, and the responding U.S. importers agreed that there are no direct substitutes for wheel inserts. The petitioner reported that temporary conical washers could substitute for wheel inserts at approximately one-half of the cost; however, it reported that this would not be a permanent solution, and the washer could be lost or deformed with repeated installation and removal of the wheel.<sup>116</sup> Wheel inserts account for less than one percent of the total cost of an aluminum alloy wheel.

Wheel inserts are typically made to order and are sold directly to the end user (wheel manufacturer). Wheel inserts are priced on a per-unit basis, and the price may vary depending on the size of the insert, whether it is plated or not, the type of plating/coating, and the production process (i.e., whether on a screw machine or a header machine). Transportation costs are not considered an important factor in the sale of wheel inserts and typically account for less than one percent of the total cost of the product. Although the petitioner reported that its wheel inserts were sold on \*\*\* basis, it stated \*\*\*.<sup>117</sup> The responding U.S. importers reported that the product was sold on an f.o.b. U.S. dock basis.

The petitioner reported lead times of \*\*\* for wheel inserts on a made-to-order basis and \*\*\* from inventory. Importers reported order lead times of \*\*\*. The petitioner also reported sales terms of \*\*\*, whereas importers \*\*\*.

### Product Comparisons

Most purchasers of wheel inserts reported that the quality of the Taiwan product was similar to that of the wheel inserts produced in the United States, given the same design. The petitioner and U.S. importers of wheel inserts from Taiwan reported that both U.S. and Taiwan producers

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<sup>115</sup> Questionnaire responses of \*\*\*.

<sup>116</sup> However, there is no current commercial domestic production or imports of conical washers. For a more complete discussion of conical washers as substitutes, see the section of this report entitled "Substitute Products."

<sup>117</sup> \*\*\*.

manufacture the same range of products and sell directly to end users; furthermore they believe that their wheel inserts are interchangeable.<sup>118</sup> Purchasers reported that only the Japanese wheel insert is considered to be superior in quality. The Japanese OEMs design their products to use a specific insert and do not consider other types of inserts to be interchangeable.<sup>119</sup>

\* \* \* \* \*

The Commission requested U.S. producers and importers to report whether they were ever unable to supply wheel inserts to a customer in a timely manner at prevailing prices and in the quantities desired during January 1991-June 1994. The petitioner, Consolidated, reported \*\*\*. \*\*\*.

### Questionnaire Price Data

The Commission requested price and quantity information from U.S. producers and importers for their largest quarterly and total quarterly sales of two types of wheel inserts during the period January 1991-June 1994.<sup>122</sup> U.S. end users of wheel inserts that import directly were requested to provide purchase price information for their imports of wheel inserts. The two products are described below:

Product 1: Standard black zinc-plated carbon steel conical wheel insert, AISI C1008 grade or equivalent specification, product closest to 5/8 inch (0.63 inch) ID.

Product 2: Standard black zinc-plated carbon steel conical wheel insert, AISI C1008 grade or equivalent specification, product closest to 11/16 inch (0.69 inch) ID.

Usable price data were received from three U.S. producers of wheel inserts and three U.S. importers of wheel inserts from Taiwan. Reported pricing accounted for nearly 100 percent of reported U.S. producers' and importers' domestic shipments of wheel inserts in 1993.<sup>123</sup>

### Price trends<sup>124</sup>

**Selling prices.**--Average delivered selling prices for U.S.-produced products 1 and 2 differed by the specific producer (table 14, figure 3).

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<sup>118</sup> However, one wheel manufacturer, \*\*\*, reported that it did not purchase the import product because it could not meet the tolerances and compatibility that \*\*\* required. Also, \*\*\* was afraid that it would lose some control over delivery by sourcing the product from Taiwan. \*\*\*.

<sup>119</sup> \*\*\*.

<sup>120</sup> \*\*\*.

<sup>121</sup> Consolidated's affiliate imported the unplated 0.63-inch ID wheel insert from Taiwan and Consolidated arranged for it to be plated in the United States by subcontractors. Consolidated produced the 0.69-inch ID wheel insert in the United States.

<sup>122</sup> Prices discussed in this section are average prices computed from quarterly total sales and quantity data.

<sup>123</sup> The petitioner, Consolidated, and its affiliated importer, Auto Tech, reported sales price data for wheel inserts. Auto Tech also reported purchase price data for its imports of wheel inserts. The remaining two U.S. producers reported selling price data for wheel inserts \*\*\* and the remaining two importers are end users and reported purchase price data for their imports of wheel inserts from Taiwan.

<sup>124</sup> Selling and purchase prices are presented by the specific supplier/purchaser because of differences between wheel inserts.

\* \* \* \* \*

Table 14

Average net delivered selling prices and quantities of U.S.-produced and imported products 1 and 2 from Taiwan, by products, by suppliers, and by quarters, Jan. 1991-June 1994

\* \* \* \* \*

Figure 3

Average net delivered selling prices of U.S.-produced and imported products 1 and 2 from Taiwan, by products, by suppliers, and by quarters, Jan. 1991-June 1994

\* \* \* \* \*

Average delivered selling prices for the wheel insert imported from Taiwan by the petitioner and plated in the United States \*\*\*. Consolidated imported this non-plated product from Taiwan through a related company, Auto Tech, and plated the product through a subcontractor at a cost of \*\*\* cents per wheel insert.

**Purchase prices.**--Average delivered purchase prices for imported products 1 and 2 \*\*\* (table 15, figure 4). \*\*\* of the importers (\*\*\*) are wheel manufacturers who directly imported the product for their own use.

\* \* \* \* \*

Table 15

Average net delivered purchase prices and quantities of imported products 1 and 2 from Taiwan, by products, by types of purchasers, by purchasers, and by quarters, Jan. 1991-June 1994

\* \* \* \* \*

Figure 4

Average net delivered purchase prices of imported products 1 and 2 from Taiwan, by products, by purchasers, and by quarters, Jan. 1991-June 1994

\* \* \* \* \*

<sup>125</sup> \*\*\*.

<sup>126</sup> All of the other U.S. producers reported that they produce wheel inserts on a screw machine. In contrast, all reported imports of wheel inserts from Taiwan were made on a header machine.

<sup>127</sup> See app. D for letter \*\*\* from Consolidated to \*\*\*.

<sup>128</sup> \*\*\*.

The other importer, Consolidated, purchased this product unplated and had it plated in the United States through a subcontractor at a cost of \*\*\* per wheel insert. Sales price data for the plated product 1 sold by Consolidated are reported in table 14.

### *Price comparisons*

Price comparisons are not made for wheel inserts because the same product was sold by neither U.S. producers nor importers during the same time period.<sup>129</sup> However, purchasers of both the U.S.-produced and imported wheel inserts from Taiwan reported that the imported product was priced below the U.S.-produced wheel insert.

### **Exchange Rates**

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Taiwan dollar fluctuated, appreciating between 1991 and part of 1992 before declining through mid-1993 (figure 5). It appreciated by 1.7 percent overall relative to the U.S. dollar between January-March 1991 and April-June 1994. When adjusted for movements in producer price indexes in the United States and Taiwan, the real value of the Taiwan currency showed an overall depreciation of 1.3 percent between January 1991 and June 1994.

### **Lost Sales<sup>130</sup>**

The Commission received \*\*\* allegations of lost sales from \*\*\*.

\* \* \* \* \* \* \* \*131 132

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<sup>129</sup> \*\*\*.

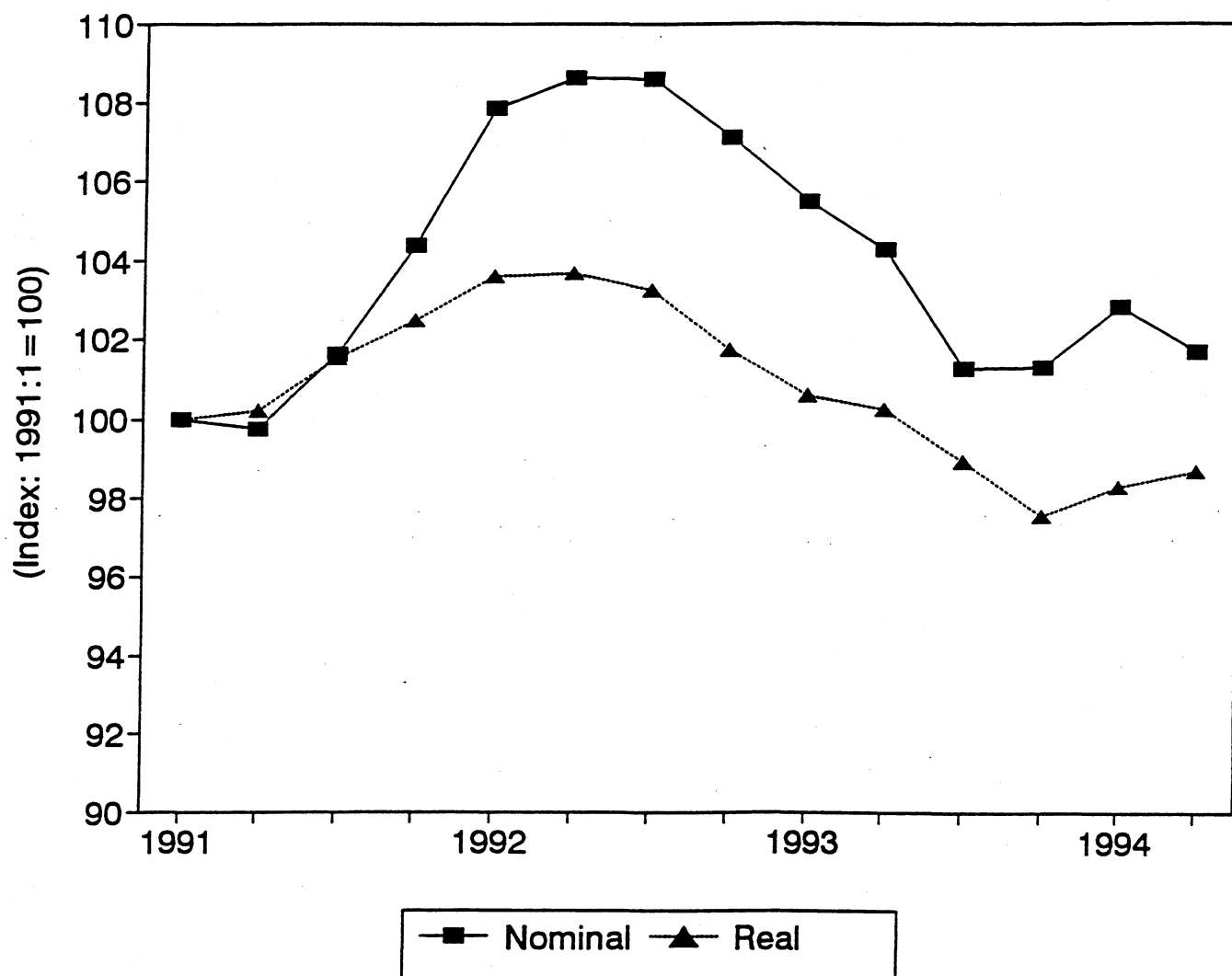
<sup>130</sup> No lost revenues were reported.

<sup>131</sup> \*\*\*.

<sup>132</sup> \*\*\*.

Figure 5

Exchange rates: Indexes of the nominal and real exchange rates of the currency of Taiwan relative to the U.S. dollar, by quarters, Jan. 1991-June 1994



Source: International Monetary Fund, *International Financial Statistics*, Sept. 1994, and The Bank of China Report, July 1994.

**APPENDIX A**  
***FEDERAL REGISTER NOTICES***





[Investigations Nos. 731-TA-720 and 721 (Preliminary)]

**Wheel Inserts From the People's Republic of China and Taiwan**

**AGENCY:** International Trade Commission.

**ACTION:** Institution and scheduling of preliminary antidumping investigations.

**SUMMARY:** The Commission hereby gives notice of the institution of preliminary antidumping investigations Nos. 731-TA-720 and 721 (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 China and Taiwan of wheel inserts,<sup>1</sup> provided for in subheading 8708.70.60 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. The Commission must complete preliminary antidumping investigations

<sup>1</sup> Also known as lug hole inserts or insert bushings, wheel inserts are steel, aluminum, brass, or zinc devices, usually circular in form with a round hole through the center, that are inserted through the stud holes of aluminum and alloy wheels used on automobiles, trucks, vans, buses, or trailers. The term "wheel inserts" does not include washers or wheel spacers, which are not inserted through a studhole. The subject wheel inserts may, or may not have a surface coating and may or may not be heat-treated. The surface coating could include chrome plating, nickel plating, zinc plating (with or without wax coating), oxide coating, and powder coating. Wheel inserts are produced in a variety of sizes depending on the type of wheel and the size of the stud hole into which they are inserted; the shape of the insert interface may be spherical (called a ball seat) or conical to fit the lug nut or wheel lock which is attached to the stud.

in 45 days, or in this case by October 31, 1994.

For further information concerning the conduct of these investigations 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:** September 15, 1994.

**FOR FURTHER INFORMATION CONTACT:** Mary Messer (202-205-3193), 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. Information can also be obtained by calling the Office of Investigations' remote bulletin board system for personal computers at 202-205-1895 (N.B.I.).

**SUPPLEMENTARY INFORMATION:**

**Background**

These investigations are being instituted in response to a petition filed on September 15, 1994, by Consolidated International Automotive, Inc., Los Angeles, CA.

**Participation in the Investigations and Public Service List**

Persons (other than petitioners) wishing to participate in the investigations 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 containing the names and addresses of all persons, or their representatives, who are parties to these investigations 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 these preliminary investigations available to authorized applicants under the APO issued in the investigations, 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 these investigations for 9:30 a.m. on October 6, 1994, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Mary Messer (202-205-3193) not later than October 4, 1994, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations 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 October 12, 1994, a written brief containing information and arguments pertinent to the subject matter of the investigations. 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 the investigations must be served on all other parties to the investigations (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 These investigations are 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: September 16, 1994.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 94-23486 Filed 9-21-94; 8:45 am]

BILLING CODE 7020-02-P

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[Investigation No. 731-TA-720  
(Preliminary)]

**Wheel Inserts From the People's  
Republic of China**

**AGENCY:** United States International  
Trade Commission.

**ACTION:** Notice of withdrawal of petition  
in antidumping investigation.

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**SUMMARY:** On October 5, 1994, the U.S.  
Department of Commerce and the U.S.  
International Trade Commission  
received a letter from the petitioner in

the subject investigation (Consolidated International Automotive, Inc., Los Angeles, CA) withdrawing its petition. The U.S. Department of Commerce has not initiated its investigation as provided in section 732(c) of the Tariff Act of 1930 (19 U.S.C. § 1673a(c)). Accordingly, the U.S. International Trade Commission gives notice that its antidumping investigation concerning wheel inserts from the People's Republic of China (inv. no. 731-TA-720 (Preliminary)) is discontinued.

**EFFECTIVE DATE:** October 5, 1994.

**FOR FURTHER INFORMATION CONTACT:**

Mary Messer (202-205-3193), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810. 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. Information can also be obtained by calling the Office of Investigations' remote bulletin board system for personal computers at 202-205-1895 (N,8,1).

Issued: October 7, 1994.

By order of the Commission.

**Donna R. Koehnke,**

*Secretary.*

[FR Doc. 94-25368 Filed 10-12-94; 8:45 am]

BILLING CODE 7020-02-P

(A-583-823)

**Initiation of Antidumping Duty Investigation: Wheel Inserts from Taiwan**

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

EFFECTIVE DATE: October 12, 1994.

FOR FURTHER INFORMATION CONTACT: Michelle Frederick or John Brinkmann, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482-0186 or (202) 482-5288, respectively.

**Initiation of Investigation****The Petition**

On September 15, 1994, we received a petition filed in proper form by Consolidated International Automotive, Inc. (petitioner). At the request of the Department of Commerce (the Department), petitioner filed supplements to support and clarify the petition's data on September 30 and October 3, 1994. In accordance with 19 CFR 353.12 (1994), petitioner alleges that wheel inserts from Taiwan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the 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 states 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 is 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, such party 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 publication of this notice. The procedures and requirements regarding the filing of such requests are contained in 19 CFR 353.14.

**Scope of Investigation**

The products covered by this investigation are wheel inserts, also referred to as lug hole inserts and insert

bushings, made from steel, aluminum, brass or zinc. A wheel insert is a washer-like product with a circular collar that protrudes into a stud hole to provide a protective seat between a lug nut and an aluminum or alloy wheel mounted on ground transportation vehicles. A wheel insert can be heat-treated or non heat-treated, with or without knurls, and with or without surface coatings. Surface coatings include, but are not limited to, chrome plating, nickel plating, zinc plating (with or without wax coating), oxide coating and powder coating.

The products under investigation are currently classifiable under subheading 8708.70.6060 of the *Harmonized Tariff Schedule of the United States* (HTSUS). Although the HTSUS subheading is 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 United States Price (USP) on a November 1993 price quotation obtained for a standard black zinc plated wheel insert. The terms of the price quotation were FOB Kaohsiung, Taiwan, with payment based on an irrevocable sight letter of credit (L/C). Petitioner made a deduction for credit. Credit was calculated using the short term interest rate published by Taiwanese banks for September of 1993 and a credit period of 55 days, the average of the 50-60 days stated on the price quotation for delivery after receipt of the L/C.

Petitioner based its estimate of foreign market value (FMV) on constructed value (CV) claiming that no producers in Taiwan sell the subject merchandise in Taiwan or to any third country markets.

According to 19 CFR 353.12(b)(7), if petitioner is unable to furnish information on foreign sales or costs, it must provide information on production costs in the United States and then adjust these costs to reflect for differences in the production costs between the United States and the home market country of exportation.

To calculate constructed value, petitioner adjusted its own manufacturing costs for a standard black zinc plated wheel insert for known differences in costs between the United States and Taiwan. We adjusted the reported material costs to account for revenue received by petitioner from the sale of scrap material. Because the plating costs included selling, general and administrative expenses as well as the profit of petitioner's plater, we have

adjusted the plating expenses to exclude these amounts.

For overhead, utilities were adjusted using a ratio of Taiwanese to U.S. electricity costs. Other components of petitioner's overhead were adjusted using the ratio of Taiwanese to U.S. labor costs. Certain components of overhead were not adjusted by petitioner. Because we view this industry sufficiently labor intensive to justify using the ratio of Taiwanese to U.S. labor costs to adjust overhead, we have applied the labor ratio uniformly to all components of overhead (except utilities). Additionally, because petitioner allocated overhead expenses (inclusive of expenses related to petitioner's plating operation) over payroll expenses (exclusive of plating wages), we have added plating wages to petitioner's calculation of payroll expenses.

Petitioner provided two hourly wage rates for Taiwanese manufacturing workers, one obtained from private research, the other obtained from a public source. Because of the Department's preference for publicly available information, we selected the latter and adjusted it as follows: 1) we disallowed petitioner's inclusion of an annual bonus because petitioner's wage rate calculation did not include bonuses; and 2) we inflated the wage rate for one year instead of two, as calculated by petitioner, because we determined that the wage rate was from 1992. The statutory minimum percentages of 10 percent for selling, general and administrative expenses and eight percent for profit were relied upon in petitioner's calculation.

After the above adjustments were made, the recalculated dumping margin for wheel inserts produced on a screw machine is 46.28 percent.

**Initiation of Investigation**

Pursuant to section 732(c) of the Act, the Department must determine, within 20 days after a petition is filed, whether a petition sets forth an allegation necessary for the initiation of an antidumping duty investigation, and whether the petition contains information reasonably available to the petitioner supporting the allegation.

We have examined the petition for wheel inserts from Taiwan, as amended, and have found that it meets the requirements of section 732(b) of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of wheel inserts from Taiwan are being, or are likely to be, sold in the United States at less than fair value. If this investigation proceeds normally, we will make our

preliminary determination by February 22, 1995.

***International Trade Commission (ITC)  
Notification***

Section 732(d) of the Act requires us to notify the ITC of these actions and we have done so.

***Preliminary Determinations by the ITC***

The ITC will determine by October 30, 1994, whether there is a reasonable indication that imports of wheel inserts from Taiwan are materially injuring, or threaten material injury to, a U.S. industry. Pursuant to section 733(a) of the Act, 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: October 5, 1994.

**Susan G. Esserman,**

***Assistant Secretary for Import  
Administration.***

[FR Doc. 94-25221 Filed 10-11-94; 8:45 am]

BILLING CODE 3510-06-P



**APPENDIX B**  
**LIST OF PARTICIPANTS IN THE CONFERENCE**





## CALENDAR OF THE PUBLIC CONFERENCE

Investigation No. 731-TA-721 (Preliminary)

### WHEEL INSERTS FROM TAIWAN

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigation on October 6, 1994, in ALJ Courtroom B of the USITC Building, 500 E Street, SW., Washington, DC.

#### In Support of the Imposition of Antidumping Duties

Hume and Associates--Counsel  
Monterey Park, CA  
on behalf of--

Consolidated International Automotive, Inc.

Mark Plumer, Chief Executive Officer, Consolidated International  
Automotive, Inc.

Robert T. Hume--OF COUNSEL



**APPENDIX C**  
**SUMMARY DATA**



Table C-1  
Wheel inserts: Summary data concerning the U.S. market, 1991-93, Jan.-June 1993, and Jan.-June 1994

Item	(Quantity=1,000 units; value=1,000 dollars; period changes=percent, except where noted)					Period changes			
	Reported data			Jan.-June-					
	1991	1992	1993	1993	1994	1991-93	1991-92	1992-93	Jan.-June 1993-94
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share <sup>1</sup>	***	***	***	***	***	***	***	***	***
Importers' share: <sup>1</sup>									
Taiwan	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share <sup>1</sup>	***	***	***	***	***	***	***	***	***
Importers' share: <sup>1</sup>									
Taiwan	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***	***	***
U.S. importers' imports from—									
Taiwan:									
U.S. shipments quantity	***	***	4,136	***	1,503	***	***	***	***
U.S. shipments value	***	***	418	***	149	***	***	***	***
Unit value	\$***	\$***	\$0.10	\$***	\$0.10	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Other sources:									
U.S. shipments quantity	3,922	***	***	***	2,394	***	***	***	***
U.S. shipments value	816	***	***	***	511	***	***	***	***
Unit value	\$0.21	\$***	\$***	\$***	\$0.21	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
U.S. shipments quantity	***	7,060	***	4,700	3,897	***	***	***	-17.1
U.S. shipments value	***	1,133	***	629	660	***	***	***	+4.9
Unit value	\$***	\$0.16	\$***	\$0.13	\$0.17	***	***	***	+26.5
U.S. producers'—									
Average capacity quantity <sup>2</sup>	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization <sup>1 2</sup>	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventory/shipments <sup>1</sup>	***	***	***	***	***	***	***	***	***
Production workers <sup>2</sup>	***	***	***	***	***	***	***	***	***
Hours worked (1,000s) <sup>2</sup>	***	***	***	***	***	***	***	***	***
Total compensation (\$1,000) <sup>2</sup>	***	***	***	***	***	***	***	***	***
Hourly total compensation <sup>2</sup>	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Productivity (units/hour) <sup>2</sup>	***	***	***	***	***	***	***	***	***
Unit labor costs <sup>2</sup>	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Net sales—									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit sales value	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures <sup>2</sup>	***	***	***	***	***	***	***	***	***
Unit COGS	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Unit SG&A expenses	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Unit operating income (loss)	\$***	\$***	\$***	\$***	\$***	***	***	***	***
COGS/sales <sup>1</sup>	***	***	***	***	***	***	***	***	***
Operating income (loss)/sales <sup>1</sup>	***	***	***	***	***	***	***	***	***

<sup>1</sup> "Reported data" are in percent and "period changes" are in percentage points.

<sup>2</sup> These data were provided by only Consolidated.

Note.—Period changes are derived from the unrounded data. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

**Figure C-1**

**Wheel inserts: Summary data for the U.S. market, 1991-93, Jan.-June 1993, and Jan.-June 1994**

\* \* \* \* \*

**Table C-2**

**Wheel inserts: Summary data concerning the U.S. market (with "producer" data for the U.S. industry excluding Consolidated), 1991-93, Jan.-June 1993, and Jan.-June 1994**

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## **APPENDIX D**

**LETTER \*\*\* FROM CONSOLIDATED TO \*\*\***





\* \* \* \* \*



**APPENDIX E**  
**LETTER FROM CONSOLIDATED'S \*\*\* TO \*\*\***



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