

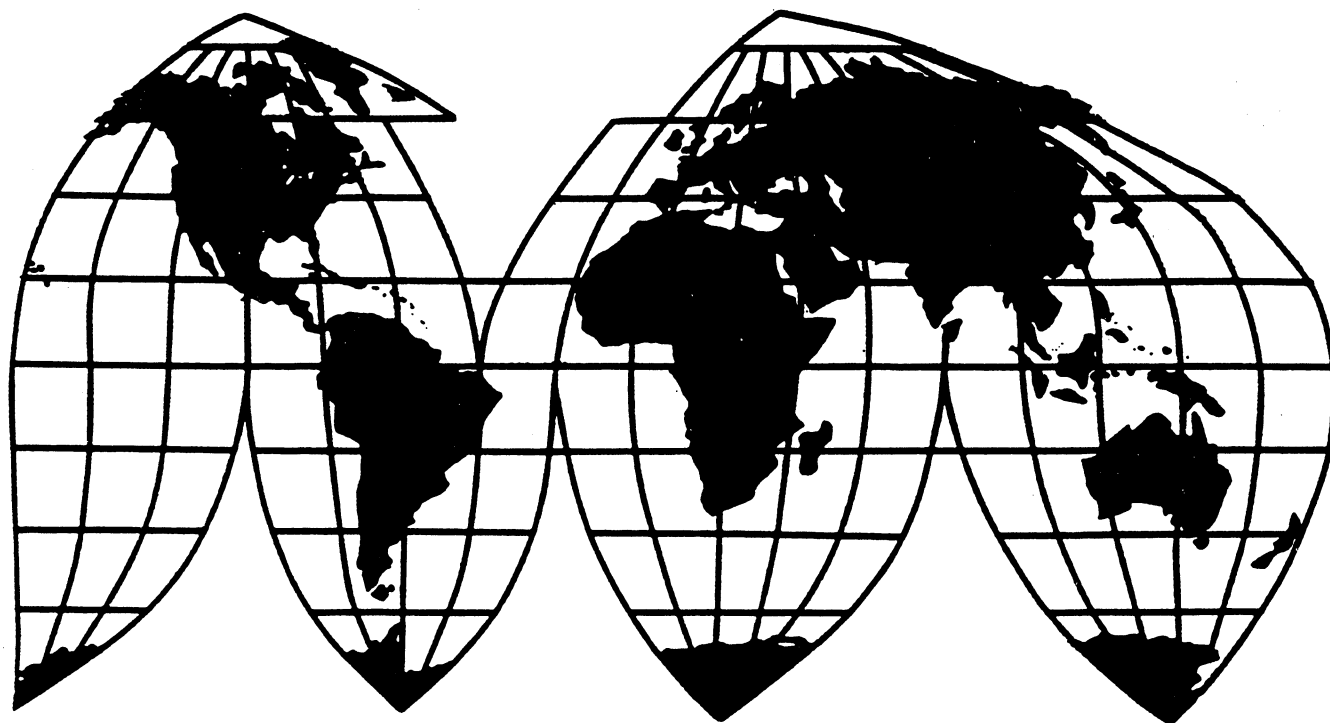
Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan

Investigations Nos. 731-TA-736 and 737 (Preliminary)

Publication 2916

August 1995

U.S. International Trade Commission



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Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan



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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

PART I
DETERMINATIONS AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-736 and 737 (Preliminary)

LARGE NEWSPAPER PRINTING PRESSES AND COMPONENTS THEREOF, WHETHER ASSEMBLED OR UNASSEMBLED, FROM GERMANY AND JAPAN

Determinations

On the basis of the record¹ developed in the subject investigations, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)),² that there is a reasonable indication that an industry in the United States is materially injured³ by reason of imports from Germany and Japan of large newspaper printing presses and components thereof, whether assembled or unassembled, provided for in subheadings 8443.11.10, 8443.11.50, 8443.21.00, 8443.30.00, 8443.40.00, 8443.60.00, 8443.90.50, 8471.91.40, 8471.91.80, 8524.21.30, 8524.90.20, 8524.90.30, 8524.90.40, 8537.10.30, 8537.10.60, and 8537.10.90 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 June 30, 1995, a petition was filed with the Commission and the Department of Commerce by Rockwell Graphic Systems, Inc., Westmont, IL, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of large newspaper printing presses and components thereof, whether assembled or unassembled, from Germany and Japan.

Accordingly, effective June 30, 1995, the Commission instituted antidumping investigations Nos. 731-TA-736 and 737 (Preliminary). 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 July 10, 1995 (60 F.R. 35564). The conference was held in Washington, DC, on July 21, 1995, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

² These investigations are subject to the Uruguay Round Agreements Act amendments to the Tariff Act of 1930.

³ Commissioner Rohr and Commissioner Newquist determine that there is a reasonable indication of threat of material injury.

VIEWS OF THE COMMISSION

Based on the record in these preliminary investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of large newspaper printing presses and components thereof, whether assembled or unassembled, from Germany and Japan that are allegedly sold in the United States at less than fair value ("LTFV").^{1 2}

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping duty investigations requires the Commission 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.³ In applying this standard, the Commission weighs the evidence before it and determines 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."⁴

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission first defines the "domestic like product" and the "industry." Section 771(4)(A) of the Act defines the relevant industry as the "producers as a whole of a domestic like product, or those producers whose collective output of the domestic like product constitutes a major proportion of the total domestic production of that product."⁵ In turn, the Act defines "domestic like product" as: "[a] product that is like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation."⁶

Our decision regarding the appropriate domestic like product(s) is a factual determination, and we apply the statutory standard of "like" or "most similar in

¹ These investigations are subject to the Uruguay Round Agreements Act ("URAA") amendments to the Tariff Act of 1930 ("the Act"). P.L. 103-465, approved Dec. 8, 1994, 108 Stat. 4809, amending section 701 *et seq.* of the Trade Act of 1930, 19 U.S.C. § 1671 *et seq.*

² Commissioners Newquist and Rohr determine that there is a reasonable indication that the domestic industry is threatened with material injury by reason of imports of the subject imports. They join the following discussion of Domestic Like Product, Domestic Industry, Condition of the Industry and Negligibility. See "Separate Views of Commissioner Rohr and Commissioner Newquist".

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

⁴ American Lamb Co. v. United States, 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).

⁵ 19 U.S.C. § 1677(4)(A).

⁶ 19 U.S.C. § 1677(10).

characteristics and uses" on a case-by-case basis.⁷ No single factor is dispositive, and the Commission may consider other factors it deems relevant based upon the facts of a particular investigation.⁸ The Commission looks for "clear dividing lines among possible like products" and disregards minor variations.⁹ Alternatively, when appropriate, the Commission utilizes a finished/semi-finished product analysis to determine whether products at different stages of production are the same or different domestic like products.¹⁰

The Department of Commerce defined the imported products subject to these investigations as:

[L]arge newspaper printing presses, including press systems, press additions and press components, whether assembled or unassembled, that are capable of printing or otherwise manipulating a roll of paper more than two pages across.¹¹

The notice of initiation defines press additions as a "union of one or more of the press components [that make up an existing LNPP] and the equipment necessary to integrate such components into an existing press system."¹²

B. Analysis of Domestic Like Product Issues

These investigations present two domestic like product issues: (i) whether small newspaper printing presses ("SNPPs") should be included within the same domestic like product as large newspaper printing presses ("LNPPs"), and (ii) whether press additions constitute a separate domestic like product from LNPPs. The petitioner, Rockwell Graphic Systems, Inc. ("Rockwell"), argues that the Commission should define the domestic like product in these preliminary investigations to include only LNPPs, press additions and

⁷ 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) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes and production employees; (5) customer or producer perceptions; and, where appropriate, (6) price. Aramide Mattschappi, V.O.F. v. United States, slip op. 95-113 at 4 (Ct. Int'l Trade, June 19, 1995); Calabrian Corp. v. United States, 794 F. Supp. 377, 382 n.4 (Ct. Int'l Trade 1992).

⁸ See S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

⁹ Torrington, 747 F. Supp. at 748-49.

¹⁰ See, e.g., Stainless Steel Bar from Brazil, India, Italy, Japan, and Spain, Invs. Nos. 731-TA-678-682 (Final), USITC Pub. 2856 (Feb. 1995), at I-6.

¹¹ Notice of Initiation of Antidumping Duty Investigation: Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan, 60 Fed. Reg. 38546, 38547 (July 27, 1995). In the notice, for purposes of the scope definition, Commerce defined a "page" as being "a newspaper broadsheet page in which the lines of type are printed perpendicular to the running of the direction of the paper or a newspaper tabloid page with lines of type parallel to the running of the direction of the paper." Id.

¹² Notice of Initiation, 60 Fed. Reg. at 38547. It also defines the five components subject to these investigations as (i) printing units, (ii) reel tension pasters, (iii) folders, (iv) conveyance and access apparatus, and (v) computerized control systems. Id. at 38547.

components.¹³ Japanese respondent, Tokyo Kikai Seisakusho, Ltd. ("TKS (Japan)") and its wholly-owned U.S. importer, TKS (U.S.A.), Inc. ("TKS (U.S.A.)") argue that the Commission should expand the domestic like product to include SNPPs and that the Commission should find press additions to be a separate domestic like product from LNPPs.¹⁴

For the reasons discussed below, we find that SNPPs are not part of the same domestic like product as LNPPs and that press additions are not a separate domestic like product. Accordingly, for purposes of these preliminary investigations, we find that there is one domestic like product consisting of all LNPPs, press additions, and components.

1. Small Newspaper Printing Presses Are Not Part of the Domestic Like Product

There are significant physical differences between SNPPs and LNPPs which make them generally unsuited for the same uses. By definition, SNPPs are single width newspaper printing presses that can only handle rolls of newspaper broadsheet paper two pages in width.¹⁵ LNPPs, on the other hand, are double width presses that can handle rolls of newspaper broadsheet paper four pages in width.¹⁶ Because of this physical difference, LNPPs are usually much larger than SNPPs and do not share the same components as SNPPs.¹⁷ LNPPs are also able to produce a greater number of newspapers at a higher rate per hour than SNPPs.¹⁸ Thus, although SNPPs and LNPPs share the same general end use (the printing of newspapers), SNPPs appear to be unsuited for use by large newspaper companies with substantial daily circulations, which are the primary customers for LNPPs.¹⁹

The record in these preliminary investigations indicates that there is limited interchangeability between LNPPs and SNPPs. Generally, LNPPs are sold to major daily papers with substantial circulations, while SNPPs are sold primarily to smaller newspapers with a circulation of less than 50,000 subscribers.²⁰ Although some of the available evidence indicates that there may be some overlap in end use at the low end of the LNPP market,²¹ little evidence collected to date suggests traditional LNPP users would consider purchasing SNPPs for their LNPP uses. Thus, while there may be some overlap in end uses for LNPPs

¹³ Petitioner's Postconference Brief at 5-14 (hereinafter, "Petitioner's Brief"). With the exception of TKS (Japan) and TKS (U.S.A.), the foreign producers and U.S. importers have not contested the petitioner's definition of the domestic like product for purposes of this preliminary investigation. KBA Group Postconference Brief at 6-7 (KBA Brief); Mitsubishi Heavy Industries, Ltd. Postconference Brief at App. 16, pp. 3-5 ("Respondent's Joint Brief") & Transcript ("Tr.") at 132-33; MAN Roland DruckMaschinen AG and MAN Roland Inc. Brief at App. 5, p. 11 (MAN Roland Brief).

¹⁴ TKS (Japan) and TKS (U.S.A.) Brief at 8-23 ("TKS Brief").

¹⁵ Confidential Report (CR) at I-12, n.25, Public Report (PR) at II-7 n.25; Initiation Notice, 60 Fed. Reg. at 38547.

¹⁶ CR at I-7, PR at II-5; Initiation Notice, 60 Fed. Reg. at 38547.

¹⁷ Tr. at 73-74; CR at I-12, n. 25, PR at II-7 n.25. Witnesses at the staff conference suggested that SNPPs would be at most one-fifth the size of LNPPs generally. *Id.* at 73-74.

¹⁸ Tr. at 71-75; Petitioner's Brief at 12-13; see also generally TKS Brief at 19-22.

¹⁹ CR at I-7, I-8 & I-15, PR at II-5-6 & II-9; see also Tr. at 72-74; see also Petitioner's Brief, Vol. II, Part II, p. 62.

²⁰ CR at I-7, PR at II-5; Tr. at 56-57, 71-73.

²¹ Some evidence suggests that several smaller circulation newspapers that would normally have purchased SNPPs are now considering and purchasing LNPPs due to the development of two smaller-sized LNPPs by MAN Roland. Tr. at 161; MAN Roland Brief at 6-7.

and SNPPs, we find it is currently a limited amount of overlap and does not suggest significant interchangeability.^{22 23}

With respect to the other like product factors, the available data suggest that, although SNPPs and LNPPs are sold in similar channels of distribution,²⁴ they are produced on different production lines and involve different production processes and production employees.²⁵ Moreover, while there is little evidence on record as to customer perceptions on the differences between LNPPs and SNPPs, producers of these products indicate that they perceive them to be distinct products.²⁶ Finally, the available evidence indicates that prices of SNPPs are typically significantly lower than the prices of LNPPs.²⁷ On balance, we determine not to include SNPPs in the domestic like product.

2. Press Additions Do Not Constitute a Separate Domestic Like Product

The notice of initiation defines press additions as a "union of one or more of the press components [that make up an existing LNPP] and the equipment necessary to integrate such components into an existing press system."²⁸ Respondent TKS (Japan) argues that we should consider press additions a separate domestic like product from LNPPs.²⁹

For the purpose of analyzing whether press additions constitute a separate domestic like product from LNPPs, we applied our semi-finished products analysis³⁰ because we

²² MAN Roland Brief at 6-7 & Ex. 2. Because of this and other data suggesting some interchangeability in end uses for SNPPs and LNPPs, we intend to seek information in any final investigations on the extent to which the difference between SNPPs and LNPPs is merely one of capacity. For example, TKS (Japan) suggested in their postconference brief that the interchangeability of SNPPs and LNPPs is demonstrated by the fact that USA Today uses both SNPPs and LNPPs to print their newspapers. TKS brief at 20-21. Counsel for petitioner noted, however, that USA Today (which is, of course, a nation-wide paper) uses LNPPs for distribution areas with large circulations and SNPPs for those with small circulations. Petitioner's Brief at 13.

²³ In Commissioner Newquist's view, the question of whether SNPPs should be included in the domestic like product does not require further inquiry in any final investigation.

²⁴ One respondent has stated that SNPPs and LNPPs are both sold to end users directly by manufacturers. TKS Brief at 22.

²⁵ For example, Rockwell produces SNPPs and LNPPs in different facilities and with different employees. Tr. at 74. Moreover, we note that Rockwell does not use any of the same components in the production of SNPPs and LNPPs. Tr. at 73-74.

²⁶ Witnesses for petitioner stated at the conference that they believed that the markets for the two products were completely separate. Tr. at 71-72. Other U.S. producers, including *** and ***, appear to be in agreement. CR at E-3, PR at E-3; *** Producer Questionnaire Response.

²⁷ CR at I-12, n.25, PR at II-7 n.25. For example, the average unit prices reported for SNPPs shipments ranged from \$*** thousand to \$*** thousand during the period of investigation, CR at E-5, PR at E-3, while the prices reported for the smallest LNPP sales generally begin in the \$*** million range. CR at I-16, PR at II-9.

²⁸ Notice of Initiation, 60 Fed. Reg. at 38547.

²⁹ TKS Brief at 8-15.

³⁰ In our semi-finished products analysis, we examine: (1) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (2) whether there are perceived to be separate markets for the upstream and downstream articles; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) differences in the costs or value of the vertically differentiated articles; and (5) significance and extent of the processes used to transform the upstream into the downstream articles. Certain Cased Pencils from the People's Republic of China, Inv. No. 731-TA-669 (Final), USITC Pub. 2837 (December 1994) at I-6-7 n. 14.

believe that press additions are more properly considered components of an existing LNPP than a separate finished product.³¹ Under that analysis, we find that press additions are part of the same domestic like product as LNPPs. First, press additions have no independent use aside from being an addition to or an enhancement of an existing LNPP. Press additions are, therefore, dedicated for use in complete LNPP systems.³² Second, press additions are sold in the same markets. LNPP producers produce press additions and these producers sell LNPPs and press additions to the same customers.³³ Moreover, there is no evidence at this time that customers perceive there to be more than one market for the two products.

Third, press additions share many of the same physical characteristics and functions as LNPPs. As the record establishes, press additions consist essentially of one or more of the five components that make up an LNPP.³⁴ While press additions may be significantly smaller than complete LNPPs and may not perform all of the functions (i.e., printing, folding, conveying, etc.) of a complete LNPP, the press addition always shares one or more of the functions and characteristics of a complete press.³⁵ Conversely, because a press addition consists in essence only of components, a press addition only performs functions that can be performed by an LNPP.

Fourth, although the available evidence suggests that there may be some price differences between the prices of press additions and complete LNPPs,³⁶ the price of press additions appears to be proportional to the price of LNPPs to the extent they share the same components.³⁷

Finally, although there are limited data on the current record, the record evidence suggests that the cost of installing press additions in an existing LNPP is a relatively minor portion of the overall cost of the press addition.³⁸ For these reasons, we find that press additions are the same domestic like product as LNPPs.^{39 40}

³¹ In this regard, we note that press additions are more similar to components of LNPPs because they can only be sold as an addition to an existing LNPP and must be installed by the manufacturer. Petitioner's Brief at 9, TKS Brief at 10-11.

³² Petitioner's Brief at 9; TKS brief at 10-11.

³³ Id.

³⁴ CR at I-6, PR at II-4; TKS Brief at 12-13.

³⁵ Petitioner's Brief at 9; see CR at I-6, PR at II-4.

³⁶ CR at I-16 & A-7, PR at II-9 & A-3.

³⁷ See generally *** Producer Questionnaire for range of prices; Petitioner's Brief at 9-10.

³⁸ See CR at I-59, PR at II-22.

³⁹ Our conclusion on this issue would not change if we were to use our traditional domestic like product approach. Since press additions are composed primarily of one or more of the five components that make up LNPPs, press additions share one or more of the same physical characteristics and uses of LNPPs. In particular, press additions share one or more of the five major functions of LNPPs and are used to enhance the capacity or print abilities of existing LNPPs. The record evidence shows that press additions and LNPPs are all sold in similar channels of trade and that manufacturers use the same production facilities and the same production employees to produce press additions, LNPPs and components. CR at I-10, PR at II-6.

⁴⁰ At the staff conference, counsel for MAN Roland argued that flexographic and offset LNPPs should be considered separate domestic like products. Tr. at 169. Although MAN Roland abandoned this argument in its postconference brief, MAN Roland Brief at 11, we nevertheless examined whether, and find that, both flexographic and offset LNPPs are part of the same domestic like product. First, flexographic and offset LNPPs share the same general physical characteristics because they generally share the same components, with the exception of the printing units. Tr. at 181-183;

(continued...)

C. Domestic Industry

In making its determination, the Commission is directed to consider the effect of the subject imports on the industry, defined as "the producers as a whole of a domestic like product. . ."⁴¹ Based on the definition of the domestic like product in these preliminary investigations, the domestic industry consists of the domestic producers of LNPPs, press additions and components.

Two issues arise in this preliminary investigation with respect to the definition of domestic industry: (i) whether TKS (U.S.A.), MAN Roland Inc. ("MAN Roland (USA)"), and KBA-Motter Corp. ("KBA-Motter") are engaged in sufficient production-related activities in the United States to qualify as domestic producers under the statute, and (ii) whether appropriate circumstances exist to exclude TKS (U.S.A.), MAN-Roland (USA) or KBA-Motter from the domestic industry as related parties. For the reasons discussed below, we find that, for purposes of these preliminary determinations, all three companies qualify as domestic producers and that appropriate circumstances do not exist to exclude MAN-Roland (USA) and KBA-Motter from the domestic industry as related parties. We find, however, based on the available evidence, that appropriate circumstances do exist to exclude TKS (U.S.A.) from the domestic industry as a related party.⁴²

1. Status of TKS (U.S.A.), MAN Roland (U.S.A.), and KBA-Motter as Domestic Producers

In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.⁴³ In deciding

⁴⁰ (...continued)

Petitioner's Brief, Vol. II, Part II at 59. Moreover, the two types of LNPP have the same end uses and functions because they both produce high-speed mono-color and full color printing for mass circulation newspaper applications. Tr. at 181-182; Petitioner's Brief at 7. In addition, the evidence suggests that customers and producers perceive the types of LNPPs to be generally interchangeable given that producers have offered, and customers have given consideration to both flexographic and offset products on the same bid. Tr. at 171-173; see also Petitioner's brief, Vol. II, Part II at 60. The record also indicates that flexographic and offset LNPPs are produced in the same manufacturing facilities by the same employees and that they are sold in the same channels of distribution. CR at I-10, PR at II-6; Tr. at 180. Finally, the available evidence indicates that the price ranges of flexographic and offset LNPPs are similar. CR at I-16, PR at II-9; Petitioner's Brief, Vol. II, Part II, at 59. On balance, we find that these factors support our conclusion that these two types of LNPPs are the same domestic like product.

⁴¹ 19 U.S.C. § 1677(4)(A).

⁴² As an initial matter, we note that we have been hampered somewhat in our ability to analyze the status of TKS (U.S.A.), MAN Roland (USA) and KBA-Motter by the companies' failure to provide complete data relating to their production activities in the United States. In the case of TKS in particular, we note that the company submitted an extremely limited amount of information on the extent of their production activities in the United States. Accordingly, although we have concluded on the basis of the available data that the three companies qualify as domestic producers for purposes of these preliminary investigations, we note that we intend to further explore the extent to which these companies engage in production-related activities in the United States in any final investigations.

⁴³ See, e.g., United States Steel Group v. United States, 873 F. Supp. 673 (Ct. Int'l Trade 1994), aff'd Certain Flat-Rolled Carbon Steel Products from Argentina et al., Invs. Nos. 701-TA-319-332, (continued...)

whether a firm qualifies as a domestic producer, we examine the overall nature of a firm's production-related activity in the United States.⁴⁴

TKS (USA) is a wholly-owned subsidiary of TKS (Japan), a Japanese producer and exporter of LNPPs and components.⁴⁵ TKS assembles, installs and services press additions in the United States and produces (with an affiliate) computer control systems for those additions.⁴⁶ TKS imports the remaining components for its press additions from TKS (Japan).⁴⁷

MAN Roland (USA) is a subsidiary of MAN Roland Druckmaschinen AG, a German producer of LNPPs and press additions.⁴⁸ MAN Roland (USA) produces and sells LNPPs in the United States and has imported components and press additions from Germany during the period 1992 to 1994.⁴⁹ KBA-Motter is a subsidiary of Koenig & Bauer-Albert A.G. (KBA-Germany), a German producer of LNPPs.⁵⁰ KBA-Motter produces and sells LNPPs in the United States and has imported LNPPs and components produced by KBA (Germany) during the period 1992 to 1994.⁵¹

Petitioner asserts that these companies only perform minor assembly and installation functions in the United States on LNPPs substantially produced in Germany and Japan.⁵² Respondents argue that they are U.S. producers of the domestic like product with significant U.S. operations.⁵³

⁴³ (...continued)

334, 336-342, 344, and 347-353 & 731-TA-573-579, 581-592, 594-597, 599-609, and 612-619 (Final), USITC Pub. 2664 (Aug. 1993), at 17; Aramid Fiber Formed of Para-Phenylene Terephthalamide from the Netherlands, Inv. No. 731-TA-652 (Final), USITC Pub. 2783 (June 1994), at I-8 - I-9, aff'd, Aramide Maatschappij V.O.F. v. United States, Slip Op. 95-113 (Ct. of Int'l Trade June 19, 1995).

⁴⁴ The Commission examines six specific factors in this regard: (1) the extent and source of a firm's capital investment; (2) the technical expertise involved in U.S. production activity; (3) the value added to the product in the United States; (4) employment levels; (5) the quantities and types of parts sourced in the United States; and (6) any other costs and activities in the United States leading to production of the like product, including where production decisions are made. See, e.g., Ferrovanadium and Nitrided Vanadium from Russia, Inv. No. 731-TA-702 (Final), USITC Pub. 2904 (June 1995).

⁴⁵ CR at I-22, PR at II-12.

⁴⁶ Tr. at 225.

⁴⁷ TKS Brief at Ex. 1, p. 1. TKS stated that it has not sold full LNPPs in the U.S. market during the period from 1992 to the present. Tr. at 219-221.

⁴⁸ CR at I-20-I-21, PR at II-10-11.

⁴⁹ ***.

⁵⁰ CR at I-19-I-20, PR at II-10-11.

⁵¹ ***.

⁵² Petitioner's Brief at 19-20, Vol. II, Part II at 26-30.

⁵³ Tr. at 164, 175, 196-199, 222-223.

a. TKS (U.S.A.), Inc.⁵⁴

Although there are very limited data available concerning the overall nature of TKS (USA)'s operations in the United States,⁵⁵ we find that TKS (U.S.A.) is a domestic producer for purposes of these preliminary investigations. TKS (U.S.A.) performs press additions assembly operations in the United States.⁵⁶ In addition, the evidence suggests that TKS (USA) or an affiliate located in the United States⁵⁷ produces the computer control systems used in TKS (USA)'s press additions.⁵⁸ Computer control systems are one of the five components of LNPPs and press additions that are included within the domestic like product.⁵⁹ In any final investigations, we will analyze closely the nature and extent of TKS (U.S.A.)'s operations with respect to computer control systems.⁶⁰ However, for purposes of these preliminary investigations, we find that TKS (U.S.A.) is a domestic producer by virtue of its domestic production of computer control systems.

b. MAN Roland (USA) and KBA-Motter

We also find that MAN-Roland (USA) and KBA-Motter are domestic producers for purposes of these preliminary investigations. The preliminary record indicates that both companies have made relatively substantial investments in their U.S. operations⁶¹ and are employing relatively significant numbers of people in their U.S. operations.⁶² Moreover, although both companies source some parts and subassemblies from their parents,⁶³ the

⁵⁴ Commissioner Newquist notes that he has serious doubts about whether TKS should in fact be considered a domestic producer. See, e.g., Portable Electric Typewriters from Singapore, Inv. No. 731-TA-515 (Final), USITC Pub. 2681 (September 1993) ("Dissenting Views of Chairman Newquist").

⁵⁵ TKS submitted only a partially complete producer questionnaire response in this investigation.

⁵⁶ The press additions consist primarily of Japanese components. TKS Brief at Ex. 1, p.1; Tr at 223. Based on statements by TKS (USA) witnesses at the staff conference, the available evidence indicates these assembly and production processes represent approximately 15 to 20 percent of the overall value of the final press addition. Tr. at 223. In any final investigations, we will evaluate whether these operations are sufficient to constitute domestic production of press additions.

⁵⁷ The affiliate is ***. *** Questionnaire.

⁵⁸ *** Producer Questionnaire; Tr. at 221, 223-224.

⁵⁹ Notice of Initiation, 60 Fed. Reg. at 38547.

⁶⁰ With regard to TKS (U.S.A.)'s production of computer control systems, we will examine the six factors discussed at footnote 44 above.

⁶¹ MAN Roland (USA)'s Questionnaire Response states that the fixed assets in the facilities in which it produces LNPPs and other products had an original cost of approximately \$ ***; while KBA-Motter indicates that the original cost of its fixed assets in the facilities in which it produces LNPPs was approximately \$***. (This compares with Rockwell's original cost for its fixed assets of \$***). Although the MAN Roland figure has not been allocated exclusively to LNPP operations, they appear to represent approximately *** percent of its operations. MAN Roland Producer Questionnaire; KBA-Motter Producer Questionnaire.

⁶² MAN Roland (USA) currently employs *** people who can work on LNPP projects, while KBA-Motter employed *** people in its LNPP operation in 1994, the most recent period for which data was reported. MAN Roland Producer Questionnaire; KBA-Motter Producer Questionnaire. This compares with *** employees in Rockwell's LNPP operations in 1994. CR at I-28, PR at II-14, table 5.

⁶³ Tr. at 177 & 199.

evidence indicates that they produce domestically almost all of the components and a significant portion of the subparts and subassemblies used in their LNPP sales.⁶⁴ Value-added in the United States is also fairly substantial.⁶⁵ Although there is limited information available on the extent of the technical expertise involved in the companies' operations, the preliminary evidence suggests that both companies perform significant *** in the United States.⁶⁶

D. Related Parties

1. Framework

The related parties provision, 19 U.S.C. § 1677(4)(B), as amended by the URAA, allows for the exclusion of certain domestic producers from the domestic industry for the purposes of an injury determination. The Commission must first determine whether a domestic producer meets the definition of a related party.⁶⁷ If the Commission determines that a domestic producer meets the definition of a related party, the Commission may exclude such a producer from the industry if "appropriate circumstances" exist.⁶⁸ Exclusion of a

⁶⁴ We note that petitioner asserts that it has learned that both companies are importing substantially more components from their German parents than has been reported to date. Letter from Counsel for Petitioner to Commission, dated May 26, 1995. See CR at I-20, n.45, PR at II-11, n.45, for a discussion of this issue. We will seek additional data on the use of imported components in any final investigations.

⁶⁵ MAN has stated that the value of imported parts accounts for *** of its total cost of goods sold. CR at I-38, PR at II-16. KBA-Motter has stated that a majority of the press components are produced in the U.S. Tr. at 199; see also KBA Brief at 7-13.

⁶⁶ KBA Brief at 13; MAN Roland Brief at Ex. 5, 1-7.

⁶⁷ 19 U.S.C. § 1677(4)(B).

⁶⁸ 19 U.S.C. § 1677(4)(B). 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 the ratio of import shipments to U.S. production for related producers and whether the primary interest of the related producer lies in domestic production or importation. See, e.g., Sebacic Acid from the People's Republic of China, Inv. No. 731-TA-653 (Final), USITC Pub. 2793 at I-7-8 (July 1994). The legislative history also states that "where a U.S. producer is related to a foreign exporter and the foreign exporter directs his exports to the United States so as not to compete with his related U.S. producer, this should be a case where the ITC would not consider the related U.S. producer to be a part of the domestic industry." S. Rep. No. 249, 96th Cong., 1st Sess. 83 (1979); see also Sandvik AB v. United States, 721 F. Supp. 1322, 1331 (Ct. Int'l Trade 1989), aff'd, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1353-54 (Ct. Int'l Trade 1987) (An
(continued...)

related party is within the Commission's discretion based upon the facts presented in each case.⁶⁹

In this case, TKS (USA), MAN Roland (USA) and KBA-Motter are all related parties because they have imported subject merchandise during the period.⁷⁰ Moreover, all three companies are at least majority-owned by a German or Japanese producer of the subject merchandise.⁷¹ As discussed below, we find that appropriate circumstances exist to exclude TKS (U.S.A.) from the domestic industry as a related party, but not MAN Roland (USA) and KBA-Motter.

a. TKS (U.S.A.), Inc.

As we noted previously, there is limited evidence available on the extent of TKS (USA)'s U.S. production and import operations and its role in the U.S. market. Nevertheless, we find that appropriate circumstances exist to exclude TKS from the domestic industry as a related party. TKS accounted for a relatively small proportion of the U.S. market during the period of investigation.⁷² Moreover, although there is little record evidence available to indicate whether TKS (USA) has benefitted from unfairly traded imports,⁷³ the evidence does suggest that the primary interest of TKS (USA) lies in importation, rather than production, since TKS imports Japanese press components that represent up to 80 percent of the overall value of its press additions.⁷⁴ Thus, the bids submitted by TKS (U.S.A.) consist primarily of components produced by TKS (Japan).⁷⁵ This evidence suggests that TKS (U.S.A.) is acting primarily as a selling agent for TKS (Japan) in the United States.

Given the foregoing, we find that appropriate circumstances exist to exclude TKS (USA) from the domestic industry as a related party. We intend, however, to seek additional information on TKS (U.S.A.)'s operations in any final investigations.

b. MAN Roland(USA) and KBA-Motter

We find that appropriate circumstances do not exist to exclude MAN Roland (USA) and KBA-Motter from the domestic industry for purposes of this preliminary investigation. Although MAN Roland (USA) and KBA-Motter accounted for a relatively small percentage

⁶⁸ (...continued)
analysis of "[b]enefits accrued from the relationship" as a major factor in deciding whether to exclude a related party held to be "a reasonable approach in light of the legislative history").

⁶⁹ See Torrington Co. v. United States, 790 F. Supp. at 1168.

⁷⁰ CR at I-58, PR at II-21-22.

⁷¹ CR at I-19-I-21 & I-58, PR at II-10-11 & II-21-22.

⁷² For example, TKS represented less than *** percent of total U.S. producer shipments during 1994, CR at I-20, PR at II-11, and it has obtained only *** percent of the total value of contracts bid and awarded during the period from 1992 to 1995. CR at I-60-I-62, PR at II-22, table 18.

⁷³ We note that TKS only submitted financial information on its computer control system operations (and not for press additions) so any available data is of limited utility in the Commission's analysis. CR at I-31-I-37, PR at II-14-16.

⁷⁴ Tr. at 223; TKS Brief at Ex. 1, p.1.

⁷⁵ Id.

of U.S. producer shipments during 1992 to 1994,⁷⁶ the available financial data suggest that MAN Roland and KBA-Motter have not significantly benefitted from the subject imports.⁷⁷ Moreover, the primary focus of MAN Roland (USA) or KBA-Motter appears not to be importation of the subject merchandise but domestic production of the like product. The available evidence suggests that both companies have shipped more domestically-produced merchandise than imported merchandise during the period of investigation and have imported only a relatively small amount of subject components (or parts of components) for their own production during the period of investigation.⁷⁸ Further, the preliminary evidence suggests that each producer has made several small, but significant, sales of domestically-produced merchandise during the period of investigation.^{79 80}

In light of the foregoing, we find that appropriate circumstances do not exist to exclude these two companies from the domestic industry as related parties for purposes of these preliminary investigations. We will, however, seek additional information on this matter in any final investigations.

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of allegedly LTFV imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁸¹ 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 context of the business cycle and conditions of competition that are distinctive to the affected industry."⁸²

In these preliminary investigations, we have generally used data from our standard three-year period of investigation: 1992 through 1994, plus interim 1995. Although

⁷⁶ For example, in 1994, KBA-Motter accounted for *** percent of total shipments by producers located in the United States, while MAN Roland (USA) accounted for *** of these shipments. CR at I-20, PR at II-11. Moreover, KBA-Motter and MAN Roland (USA) won *** and *** percent by value, respectively, of the total contracts bid and awarded in the U.S. market during 1992-1995. CR at I-60-62, PR at II-22.

⁷⁷ We note that the operating income of both companies as a percentage of sales *** during the period of investigation. CR at I-37, PR at II-16.

⁷⁸ While TKS (USA) imports approximately 80 percent of its components, MAN Roland has imported components with a value of only *** percent of domestic LNPP sales and KBA-Motter has imported components with a value of *** of its domestic LNPP sales. MAN Roland (USA) Importer and Producer Questionnaire Responses; KBA-Motter Importer and Producer Questionnaire Responses.

⁷⁹ *Id.*; CR at I-46-I-48, I-60-I-62, PR at II-17-18, II-22; Tr. at 156-159, 196-200.

⁸⁰ We note, however, that an analysis of the bids submitted by the two companies during the period of investigation indicates that ***. CR at I-60-62, PR at II-22. As with TKS, this suggests that KBA-Motter and MAN Roland (USA) may be acting as selling agents for their parents in the United States. Although this may support a finding that appropriate circumstances exist for the exclusion of the companies as related parties, the other available data do not. We will revisit this issue in any final investigations.

⁸¹ 19 U.S.C. § 1677(7)(C)(iii).

⁸² 19 U.S.C. § 1677(7)(C)(iii).

petitioner argues for including a fourth year, 1991,⁸³ we find that data from 1991 would not enable us to understand the condition of this industry more completely.^{84 85}

Certain conditions of competition are distinctive to the LNPP industry in the United States. First, the record indicates that the U.S. market for LNPPs is characterized by a relatively small number of sales each year which occur on a somewhat sporadic basis but involve substantial values of merchandise.⁸⁶ For the most part, these sales are made after an extensive and highly competitive bid/negotiation procedure between the purchasers and two or more producers.⁸⁷ During the process, purchasers will discuss informally with each producer the general contents of the other producers' bids and will, by doing so, attempt to obtain a better deal.⁸⁸ This negotiation process can take several months to several years and will generally result in the selection and purchase of a technologically-sophisticated, highly-engineered product that is specifically designed by the producer to meet each purchaser's needs.⁸⁹

Sales of LNPPs are characterized by the relatively small number of units sold in any year and volatility in these sales from one year to the next.⁹⁰ A large increase in consumption in any individual year, for example, may reflect a single large sale, rather than an overall increase in aggregate demand. Thus, consideration of changes in industry performance on a year-to-year basis may be of limited utility and should be viewed with some caution.⁹¹

Similarly, because of the variation in the size, value and specifications of LNPPs from sale to sale, we note that it is less useful to rely on quantity data to assess market share, sales, shipments and other financial information. Accordingly, for purposes of our analysis, we relied primarily on value as a means of assessing both market share and shipments in these investigations. We note that the parties agree that value is the most probative indicator of market share and shipments in this market.^{92 93}

⁸³ Petitioner argues that the Commission should use an expanded four-and-one-quarter year period of investigation to assess whether the domestic industry is being materially injured by subject imports in these investigations. See Petition at 18-19; Petitioner's Postconference Brief, Vol. II, Part II, at 31-34. Respondents argue that the Commission should reject the petitioner's request for an expanded period of investigation. See Joint Respondents' Brief at 21-23.

⁸⁴ It is within our discretion to determine which period of data is most reliable. Wieland Werke, AG v. United States, 718 F. Supp. 50, 55 (Ct. Int'l Trade 1989).

⁸⁵ Commissioner Rohr and Commissioner Newquist have considered 1991 data in their analysis but have not necessarily accorded it the same weight as the traditional three-year data.

⁸⁶ CR at I-60-I-62, PR at II-22; Tr. at 27 & 32.

⁸⁷ CR at I-56-I-57, PR at II-20-21. Generally, the purchaser also uses the process to work through design issues and to help the individual producers optimize their suggested design. CR at I-57, PR at II-21.

⁸⁸ CR at I-57, PR at II-21.

⁸⁹ CR at I-56-I-57, PR at II-20-21.

⁹⁰ In this regard, see Tr. at 46 & 148.

⁹¹ Commissioner Crawford does not rely on changes in industry performance on a year-to-year basis (*i.e.*, trends) in her determination of material injury by reason of dumped imports.

⁹² Petitioner's Brief, Vol. II, Part II at 51; Tr. at 149.

⁹³ In these investigations, Commissioner Crawford has focused her analysis on the point in time when competition between subject imports and the domestic product occurs, that is, when a contract is awarded to the winning bid.

Second, after finalization of the sales contract, there is generally a lengthy production and delivery period.⁹⁴ Completion and installation of an LNPP or press addition can take up to two or more years.⁹⁵ Because payment on the contract is made in installments over the life of the production process,⁹⁶ the full financial impact of a sale (or its loss) may not be reflected in a producer's financial records for up to two or more years after the date of the sale.^{97 98}

Third, aggregate demand in the LNPP market is driven primarily by technological developments, the condition of existing presses and the needs and considerations of the newspaper industry as well as by market price.⁹⁹ However, to the extent that an individual purchaser requests bids for a particular purchase, price (together with technological, quality and service considerations) becomes a more significant factor in the purchaser's final purchase decision.^{100 101} As part of the purchase decision, the purchaser and potential suppliers engage in extensive analysis and consultations that result in performance specifications for a particular purchase.¹⁰² The evidence suggests that price is a significant factor in a purchaser's decision to choose among products that meet those performance specifications.¹⁰³

Fourth, Rockwell is recognized as the technology leader and dominant supplier in the LNPP market,¹⁰⁴ and most of the existing presses in the United States currently are Rockwell

⁹⁴ Tr. at 44-45.

⁹⁵ Tr. at 44-45.

⁹⁶ CR at I-58, PR at II-21-22; Tr. at 44-45.

⁹⁷ Most producers use the completed contract method to account for revenues. CR at I-31, I-32, PR at II-14.

⁹⁸ Commissioner Crawford recognizes that the full financial effect of a sale or lost sale is not reflected in accounting records until two or more years after the date of sale. Consequently, when it is reflected in the accounting records, the effect likely represents the "lingering effects" of the competition that occurred earlier. Rather than evaluate the "lingering effects" of competition, in these investigations Commissioner Crawford has focused her analysis on the point in time when competition between subject imports and the domestic product occurs, that is, when a contract is awarded to the winning bid.

⁹⁹ Tr. at 31-32, 44-45, & 49-50; see generally Joint Respondents' Brief at 18.

¹⁰⁰ CR at I-57, PR at II-21; Tr. at 50.

¹⁰¹ Chairman Watson and Commissioner Crawford believe that aggregate demand in the LNPP market is somewhat elastic. Purchasers have flexibility as to when they will make their purchases, since LNPPs are durable capital goods. As such, a purchaser likely will compare the offer price in any given period relative to what he thinks the price will be in the future. He weighs his decision to buy now or later based on these prices as well as his need for new technologies to stay competitive, the condition of existing equipment, and other needs and considerations unique to the newspaper industry. This flexibility and the fairly lengthy time period over which a purchaser makes his purchase decision suggests that aggregate demand is somewhat elastic. Chairman Watson and Commissioner Crawford intend to evaluate more fully the elasticity of demand for LNPPs in the event of any final investigations.

¹⁰² CR at I-56-I-57, PR at II-20-21.

¹⁰³ CR at I-57, PR at II-21.

¹⁰⁴ Tr. at 22, 26, 28; Joint Respondents' Brief at 9-14.

presses.¹⁰⁵ The record suggests that customers generally prefer Rockwell products because of the lead it takes in the industry in technology and quality considerations.¹⁰⁶

Fifth, the LNPP market was characterized by a boom in demand during 1989-1991 that was spurred by technological developments, including primarily Rockwell's introduction of a new color printing technology in the late 1980's.¹⁰⁷ Subsequent to this period, the industry experienced its worst recession in fifty years.¹⁰⁸ The market appears to have been recovering somewhat from this recession during the final year-and-a-half of the period of investigation.¹⁰⁹

On the basis of contracts awarded, the value of apparent consumption increased from 1992 to 1993, then decreased in 1994, but not to the 1992 level.¹¹⁰ Consumption followed a different trend when measured by shipments. The value of apparent U.S. consumption of LNPPs fluctuated over the period of investigation, decreasing from 1992 to 1993, then increasing in 1994.¹¹¹

The domestic industry's U.S. shipments by value declined irregularly over the period examined, decreasing from 1992 to 1993, then increasing in 1994, but falling short of the 1992 level. The domestic industry's U.S. shipments were higher in interim 1995 than in interim 1994.¹¹²

On the basis of contracts awarded, the domestic industry's market share increased from 1992 to 1993, then decreased in 1994 to the lowest level achieved during the period of investigation.¹¹³ On the basis of shipments, however, the domestic industry's share of the U.S. market decreased irregularly over the period examined, decreasing from 1992 to 1993, then increasing in 1994, but not reaching the 1992 level. The domestic industry's market share was higher in interim 1995 than in interim 1994.¹¹⁴

¹⁰⁵ Joint Respondents' Brief at 14-15.

¹⁰⁶ Tr. at 203; Respondents' Joint Brief at 14-17; CR at I-64, PR at II-23.

¹⁰⁷ Tr. at 128, 148; CR at I-33-I-34, I-63, PR at II-15-16, II-22-23.

¹⁰⁸ CR at I-34, PR at II-16.

¹⁰⁹ CR at I-56-I-71, PR at II-20-24. We note that the market may have been affected to some extent by a continuing overall reduction in the number of newspapers in the United States during the period of investigation. *E.g.*, Tr. at 50. Because we have only limited data available on this issue, we intend to request information from the parties on this issue in any final investigations.

¹¹⁰ On the basis of contracts awarded, the value of apparent consumption increased from *** in 1992 to *** in 1993, then decreased to *** in 1994. Table 18, CR at I-61-I-63, PR at II-22-23.

¹¹¹ Table 1, CR at I-18, PR at II-10; INV-S-106, Table A-6 (Aug. 10, 1995), PR at A-3. The value of apparent domestic consumption declined from *** in 1992 to *** in 1993, then increased to *** in 1994. *Id.* The value of apparent domestic consumption in interim 1994 was ***, compared to *** in interim 1995.

¹¹² INV-S-106, Table A-6 (Aug. 10, 1995), PR at A-3. The value of domestic producers' U.S. shipments declined from *** in 1992 to *** in 1993, then increased to *** in 1994. *Id.* The value of domestic producers' U.S. shipments *** in interim 1994 to *** in interim 1995.

¹¹³ On the basis of contracts awarded, the domestic industry's market share increased from *** percent in 1992 to *** percent in 1993, then decreased to *** percent in 1994. Table 18, CR at I-61-I-63, PR at II-22-23.

¹¹⁴ INV-S-106, Table A-6 (Aug. 10, 1995), PR at A-3. On the basis of shipments, the domestic industry's market share declined from *** percent in 1992 to *** percent in 1993, then rose to *** percent in 1994. The domestic industry's market share was higher in interim 1995 (***) than in interim 1994 (***) percent).

The domestic industry's production capacity¹¹⁵ declined slightly from 1992 to 1993, but, in 1994, returned to the same level as in 1992, and remained the same when comparing interim 1994 with interim 1995.¹¹⁶ Not surprisingly, production and capacity utilization patterns followed shipment patterns. Production volume declined over the period, declining from 1992 to 1993, then increased in 1994, but did not recover to the 1992 level. Production was higher in interim 1995 than in interim 1994.¹¹⁷ As a consequence of these fluctuations, capacity utilization also declined from 1992 to 1993, then increased in 1994 to a level below the 1992 level. Capacity utilization was higher in interim 1995 than in interim 1994.¹¹⁸

Both the number of production and related workers and the hours worked declined throughout the period of investigation.¹¹⁹ Wages paid and total compensation decreased erratically from 1992 to 1994, but were higher in interim 1995 than in interim 1994.¹²⁰

Domestic industry net sales volume increased slightly overall from 1992 to 1994.¹²¹ Net sales value, however, declined irregularly, declining from 1992 to 1993, then increasing in 1994, but not reaching the 1992 level. Net sales value was higher in interim 1995 than in interim 1994.¹²² Operating income and gross profits followed the same trend as net sales

¹¹⁵ We note that it is difficult to measure production capacity and capacity utilization adequately in unit terms because of the variation in the size and specifications of LNPPs and press additions.

¹¹⁶ Table 3, CR at I-24, PR at II-12. Production capacity declined from *** units in 1992 to *** units in 1993, then returned to *** units in 1994. Production capacity for interim 1994 and interim 1995 was *** units.

¹¹⁷ *Id.* Production declined from *** units in 1992 to *** units in 1993, then increased to *** units in 1994. Production was higher in interim 1995 (*** units) than in interim 1994 (*** units).

¹¹⁸ *Id.* Capacity utilization declined from *** percent in 1992 to *** percent in 1993, but then rose to *** percent in 1994. Capacity utilization was higher in interim 1995 (*** percent) than in interim 1994 (*** percent).

Because LNPPs are produced in response to bids for specific newspaper projects, they are not held in inventory but are shipped to the customers' site for installation as the various press components are completed. The domestic industry reported no inventories.

¹¹⁹ INV-S-106, Table A-6 (Aug. 10, 1995), PR at A-3. The number of production and related workers declined from *** in 1992 to *** in 1993, then increased to *** in 1994. The number of production and related workers was higher in interim 1995 (*** units) than in interim 1994 (*** units). Hours worked declined from *** hours in 1992 to *** hours in 1993, then increased to *** hours in 1994. The hours worked were higher in interim 1995 (*** hours) than in interim 1994 (*** hours). *Id.*

¹²⁰ Wages paid decreased from *** in 1992 to *** in 1993, then increased to *** in 1994. INV-S-106 Table A-6 (Aug. 10, 1995), PR at A-3. Wages paid were higher in interim 1995 (*** dollars) than in interim 1994 (*** dollars). *Id.* Total compensation decreased from *** in 1992 to *** in 1993, then increased to *** in 1994. *Id.* Total compensation was higher in interim 1995 (*** dollars) than in interim 1994 (*** dollars). *Id.*

¹²¹ Table 7, CR at I-35, PR at 16. Net sales volume declined from *** units in 1992 to *** units in 1993, then increased to *** units in 1994. Net sales were higher in interim 1995 (*** units) than in interim 1994 (*** units).

¹²² Table 7, CR at I-35, PR at II-16; INV-S-106 Table A-6 (Aug. 10, 1995), PR at A-3. Net sales value declined from *** in 1992 to *** in 1993, then increased to *** in 1994. Net sales value was *** in interim 1995 compared to *** in interim 1994.

revenues, declining from 1992 to 1993, then increasing in 1994, but not to the level in 1992, and being higher in interim 1995 than interim 1994.¹²³

Cost of goods sold declined irregularly throughout the period examined, decreasing from 1992 to 1993, then, in 1994, rising to a level that fell short of the 1992 level. Cost of goods sold was higher in interim 1995 compared to interim 1994.¹²⁴ Selling, general and administrative (SG&A) expenses followed the same trend.¹²⁵

Capital expenditures by the domestic industry declined throughout the period examined, decreasing from 1992 to 1993, then increasing in 1994, but not to the 1992 level.¹²⁶ Research and development spending by the domestic industry also declined from 1992 to 1993 and then increased in 1994, but did not reach the 1992 level.^{127 128}

IV. NEGLIGIBLE IMPORTS

The URAA amended the statutory provisions pertaining to preliminary antidumping duty determinations to require that an investigation terminate by operation of law without an

¹²³ Table 7, CR at I-35, PR at II-16; INV-S-106 Table A-6 (Aug. 10, 1995), PR at A-3. Gross profits declined from *** in 1992 to *** in 1993, then increasing to *** in 1994. *Id.* Gross profits were *** in interim 1995, compared with *** in interim 1994. *Id.*

Classified by contract date, gross profits decreased from *** in 1992 to *** in 1993, then increased to *** in 1994, and were *** in interim 1995. Table 9, CR at I-41, PR at II-17.

Operating income declined from *** in 1992 to *** in 1993, then increased to *** in 1994. Operating income was *** in interim 1995, compared with *** in interim 1994. Table 7, CR at I-35, PR at II-16; INV-S-106 Table A-6 (Aug. 10, 1995), PR at A-3.

¹²⁴ Table 7, CR at I-35, PR at II-16; INV-S-106 Table A-6 (Aug. 10, 1995), PR at A-3. Cost of goods sold (COGS) declined from *** in 1992 to *** in 1993, then increased to *** in 1994. COGS were *** in interim 1995 compared to *** in interim 1994. *Id.*

COGS for U.S. producers classified by contract date declined from *** in 1992 to *** in 1993, then rose to *** in 1994. Table 9, CR at I-41, PR at II-17. In interim 1995, COGS classified by contract date were ***. *Id.*

COGS as a percentage of sales decreased from *** in 1992 to *** in 1993 and to *** in 1994, and were *** in interim 1995 compared to *** in interim 1994. INV-S-106 Table A-6 (Aug. 10, 1995), PR at A-3.

¹²⁵ Table 7, CR at I-35, PR at II-16; INV-S-106 Table A-6 (Aug. 10, 1995), PR at A-3. SG&A expenses decreased from *** in 1992 to *** in 1993, then increased to *** in 1994, and were *** in interim 1995, compared to *** in interim 1994.

¹²⁶ Table 12, CR at I-49, PR at II-18. Capital expenditures declined from *** in 1992 to *** in 1993, and to *** in 1994. These expenditures were *** in interim 1995 compared to *** in interim 1994.

¹²⁷ Table 12, CR at I-49, PR at II-18. Research and development expenditures declined from *** in 1992 to *** in 1993, then increased to *** in 1994, and were *** in interim 1995 compared to *** in interim 1994.

¹²⁸ Based on the foregoing, Commissioner Rohr and Commissioner Newquist find a reasonable indication that the domestic industry producing large printing presses, large press additions and large press components is vulnerable to the continuing adverse effects of allegedly unfair imports. Accordingly, Commissioner Rohr and Commissioner Newquist join the immediately subsequent discussion concerning negligible imports, then proceed directly to a threat of material injury analysis. See "Separate Views of Commissioner Rohr and Commissioner Newquist."

injury determination if the subject imports are negligible.¹²⁹ In these preliminary investigations, neither subject imports from Germany nor those from Japan are negligible.

The provision defining "negligibility" provides that imports from a subject country that are less than 3 percent of the volume of all merchandise corresponding to the domestic like product imported into the United States shall be deemed negligible.¹³⁰ Whether the 3 percent threshold has been reached is to be evaluated based on the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition.

The most recent 12-month period preceding the filing of the petition for which import data are available is the period April 1994-March 1995. These data are based on data submitted in response to questionnaires of the Commission in these investigations.¹³¹ For this 12 month period, the volume of the subject imports from Germany and from Japan was each above the 3 percent statutory threshold.¹³² Accordingly, we determine that imports from Germany and Japan are not negligible.¹³³

V. CUMULATION

Section 771(7)(G)(i) provides the general rule for cumulation in determining material injury by reason of subject imports.¹³⁴ This provision requires the Commission to cumulate imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the United States market.

In assessing whether imports compete with each other and with the domestic like product,¹³⁵ the Commission generally has considered four factors, including:

¹²⁹ 19 U.S.C. § 1673b(a). The Statement of Administrative Action (SAA) indicates that the standard for negligibility determinations in preliminary investigations shall be the same as the standard upheld in American Lamb, and that the Commission is to determine whether there is a "reasonable indication" that imports are not negligible. Accordingly, under that standard, the Commission examines whether the record as a whole contains clear and convincing evidence that imports are negligible and whether no likelihood exists that contrary evidence will arise in a final investigation. American Lamb, 785 F.2d at 1001. See SAA, H.R. Doc. 316, 103d Cong., 2d Sess., Vol. 1 at 857. See also Polyvinyl Alcohol from China, Japan, Korea, and Taiwan, Inv. Nos. 731-TA-726-729 (Preliminary), USITC Pub. 2883 at I-16 (April 1995).

¹³⁰ 19 U.S.C. § 1677(24).

¹³¹ We note that we have not used official imports statistics of the Department of Commerce because the HTS subheadings covering imports of the subject merchandise also cover a multitude of other products and are therefore not useful for the purpose of the Commission's negligibility determinations in these investigations. CR at I-3, n.1; PR at II-3, n.1.

¹³² CR at I-54, PR at II-20 (Germany represented *** percent of subject total imports and Japan *** percent of subject imports).

¹³³ Commissioner Rohr and Commissioner Newquist do not join the remainder of this opinion. See "Separate Views of Commissioner Rohr and Commissioner Newquist".

¹³⁴ 19 U.S.C. § 1677(7)(G).

¹³⁵ The Statement of Administrative Action (SAA) to the URAA expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." SAA, H.R. Rep. 316, 103d Cong., 2d Sess., vol. 1, at 848 (citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade), aff'd 859 F.2d 915 (Fed. Cir. 1988)).

- (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
- (4) whether the imports are simultaneously present in the market.¹³⁶

While no single factor is determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.¹³⁷ Only a "reasonable overlap" of competition is required.¹³⁸

Petitioner argues that German and Japanese imports of LNPPs, press additions and components should be cumulated for purposes of these preliminary investigations.¹³⁹ Petitioner contends imports of LNPPs from Germany and Japan are fungible because manufacturers of LNPPs generally offer their customers the same range of products.¹⁴⁰ Moreover, customers ask for, and receive, a variety of bids from multiple producers on individual bids.¹⁴¹ Petitioner also asserts that the subject imports and domestic merchandise are sold in the same channels of distribution and are simultaneously present in the same geographic markets.¹⁴²

The German respondents argue that the subject imports from Germany and Japan do not compete with each other and domestic merchandise in the U.S. market because of fundamental technological differences among the products.¹⁴³ The German respondents also argue that the German and Japanese producers do not distribute their products in similar channels of trade¹⁴⁴ and that there is no actual overlap of competition between German and

¹³⁶ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

¹³⁷ See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

¹³⁸ See Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, Slip Op. 94-201 (Ct. Int'l Trade Dec. 30, 1994).

¹³⁹ Petitioner's Brief at 42.

¹⁴⁰ Petitioner's Brief at 42.

¹⁴¹ Id.

¹⁴² Id. at 43.

¹⁴³ MAN Roland Brief at 5. For example, MAN Roland argues that German producers do not compete with Rockwell and the Japanese producers because they offer an entirely different type of keyless inking system than the Japanese producers and Rockwell. Id. Similarly, MAN Roland argues that Rockwell and the Japanese producers cannot compete with the German producers in the bearerless and flexographic offset markets because they do not offer such presses. Id.

¹⁴⁴ Id.

Japanese producers because they submitted bids on only a limited number of the same projects during the period of investigation.¹⁴⁵

We find that there is a reasonable overlap of competition among the subject imports and the domestic merchandise. First, subject imports from Germany and Japan and the domestic merchandise were all sold in the same channels of trade¹⁴⁶ and have been simultaneously present in the market during the period of investigation.¹⁴⁷ Moreover, the available evidence suggests that all LNPP producers can and do submit bids on LNPP projects throughout the nation.¹⁴⁸ They are, therefore, competing in the same geographic regions.¹⁴⁹

Finally, although there is some conflicting evidence on the record as to the extent of fungibility of the subject imports and the domestic like product, the available evidence suggests on balance that the subject imports and the domestic merchandise are reasonably interchangeable. Although respondents argue that there is only a limited degree of interchangeability among the subject imports and the domestic like product because of technological differences,¹⁵⁰ we conclude the available evidence does not support this argument. Moreover, we emphasize that competition in this industry occurs in the bidding process and the submission and consideration of bids for the same project, rather than in overlapping shipments.^{151 152}

¹⁴⁵ Id.; see also KBA Brief at 21-23.

¹⁴⁶ Generally, the subject imports and domestic merchandise are sold directly from the manufacturing entity or a related party to the customer. CR at I-15, PR at II-9.

¹⁴⁷ Although imports of the subject merchandise from Germany and Japan fluctuated during the period from 1991 to 1993, a substantial volume of imports from both countries was simultaneously present in the market during 1994. CR at I-54, PR at II-20. Moreover, it should be noted that the fluctuating levels of imports during prior years appears to be directly related to the sporadic manner in which sales occur in the market. Finally, when viewed on a bids-made basis, both the German and Japanese producers appear to have submitted bids on individual projects on a relatively consistent basis throughout the period of investigation. CR at I-61, PR at II-22.

¹⁴⁸ CR at I-60-I-62, PR at II-22.

¹⁴⁹ Id. In fact, the subject imports have been competing on at least some of the same bids during the period of investigation. CR at I-60-I-62; PR at II-22; INV-S-107 at 2 (August 10, 1995).

¹⁵⁰ MAN Roland Brief at 5-9 and App. 5; Tr. at 164-185 (testimony of MAN Roland witnesses as to German technology differences).

¹⁵¹ Compare, e.g., Offshore Platform Jackets and Piles from the republic of Korea and Japan, Inv. Nos. 701-TA-248 & 731-TA-259 and 260 (Final), USITC Pub. 1848, at 12, n. 29 (1986) (where limited number of sales during period and price competition at bid stage, cumulation assessed by examining competition at bid stage); see also Forged Steel Crankshafts from the federal Republic of Germany and the United Kingdom, Inv. Nos. 731-TA-351 & 353 (Final), USITC Pub. 2014 at 15-16 (1987) (finding that individual crankshafts that are generally produced to customer specifications on a job-order or bid basis were generally interchangeable and therefore in competition for purposes of cumulation), upheld in United Engineering & Forging v. United States, 779 F.Supp. 1375, 1392-95 (CIT).

¹⁵² We gathered significant information on the bids that were issued and finalized during the period of investigation. Although this information has allowed us to analyze the price effect of subject imports to a significant degree for purposes of these investigations, we do not have detailed information on the relative importance of the initial bid in the negotiation process, the relative price impact of those initial bids on prices during the bid process, how often initial bidders drop out of the bid competition, whether and to what extent submission of an initial bid reflects actual competition on the part of the bidder and the exact manner in which price declines occur from initial bid submission (continued...)

Although one of the German respondents claims that its flexographic LNPPs do not compete with offset machines produced by Japan and the U.S. producers, the available evidence suggests that producers will offer, and customers will generally consider, both flexographic and offset bids for the same project.¹⁵³ Moreover, although MAN Roland asserts that its anilox keyless and bearerless, double-width technologies do not compete with any Japanese or domestic products, there is little evidence available to suggest that this is true. In fact, the petitioner and the Japanese producers also competed on the same bids as the German producers during the period of investigation.¹⁵⁴ This suggests that the differences in technology cited by MAN Roland do not in fact significantly limit competition among LNPP producers from the various countries.

In sum, the preliminary record in these investigations indicates that the subject imports are generally fungible with each other and the domestic like product, are sold in the same geographic areas through similar channels of distribution, and have been simultaneously present in the market. Accordingly, we cumulated subject imports from Germany and Japan.

VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

In preliminary antidumping duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation. In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of

¹⁵² (...continued)
to final acceptance of a bid. Accordingly, we intend to collect data on these matters in any final investigations. In addition, we will seek more detailed information on the extent to which the subject imports compete with each other in the market.

¹⁵³ Tr. at 169-170. In fact, as admitted by a witness for MAN Roland, MAN Roland submitted a flexographic bid for the Washington Post sale, which was eventually won by an offset LNPP. Tr. at 173.

¹⁵⁴ CR at I-60-I-62, PR at II-22; INV-S-107 at 2 (August 10, 1995). For purposes of our competition analysis, we have considered bids by TKS (U.S.A.) to be bids involving subject merchandise from Japan because (i) 80 percent of the components used in TKS (U.S.A.)'s bids are produced in Japan, (ii) the evidence suggests that TKS (U.S.A.) is acting primarily as a selling agent for TKS (Japan) in the United States and (iii) TKS (U.S.A.) is a wholly-owned subsidiary of TKS (Japan). See "Related Parties" discussion above.

U.S. production operations.¹⁵⁵ ¹⁵⁶ Although the Commission may consider causes of injury to the industry other than the allegedly LTFV imports, it is not to weigh causes.¹⁵⁷ ¹⁵⁸ ¹⁵⁹

A. Volume of Imports

When analyzing the volume of imports for purposes of these preliminary determinations, we considered both the volume of shipments of the cumulated subject imports and the volume of sales (i.e., contracts awarded) of the subject imports during the period of

¹⁵⁵ 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

¹⁵⁶ As part of its consideration of the impact of imports, the statute as amended by the URAA now also specifies that the Commission is to consider in an antidumping proceeding, "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V). The SAA indicates that the amendment "does not alter the requirement in current law that none of the factors which the Commission considers is necessarily dispositive in the Commission's material injury analysis." SAA at 850.

The statute defines the "magnitude of the margin of dumping" to be used by the Commission in a preliminary determination as "the dumping margin or margins published by the administering authority [Commerce] in its notice of initiation of the investigation." 19 U.S.C. § 1677(35)(C). The estimated dumping margins identified by Commerce in its notice of initiation are 46.40 percent for Germany and 78.22 to 179.55 percent for Japan. 60 Fed. Reg. at 38548.

¹⁵⁷ See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988). Alternative causes may include the following:

[T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

¹⁵⁸ For Chairman Watson's interpretation of the statutory requirement regarding causation, see Certain Calcium Aluminate Cement Clinker from France, Inv. No. 731-TA-645 (Final), USITC Pub. 2772, at I-14 n.68 (May 1994).

¹⁵⁹ Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of allegedly LTFV imports, not by reason of the allegedly LTFV imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports." S. Rep. No. 249, at 75. However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. *Id.* at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the allegedly LTFV imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249, at 74. Rather, it is to determine whether any injury "by reason of" the allegedly LTFV imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added).

investigation.¹⁶⁰ As we indicated above, when assessing the volume of imports for purposes of our causation analysis, we relied primarily on the value of the subject imports.¹⁶¹

When analyzed in terms of shipments, we find that the volume of cumulated subject imports increased generally over the period of investigation, from a very small amount in 1992 to very significant amounts in both 1993 and 1994.¹⁶² During this same period, on a shipments basis, the cumulated subject imports maintained a significant share of the market, with their market share increasing from a negligible amount in 1992 to significant amounts in 1993 and 1994.¹⁶³

When analyzed on a contracts-awarded (i.e., sales-made) basis, we also find that the absolute volume and market share of the subject imports was significant throughout the period of investigation.¹⁶⁴ With the award of the Washington Post sale to Mitsubishi in 1995, the volume and market share of the subject imports on a contracts-awarded basis increased substantially in 1995.¹⁶⁵

We also used a three-year moving average to analyze the volume of the subject imports.¹⁶⁶ The use of a three-year moving average mitigates fluctuations in annual data that are caused by the sporadic nature of the sales in this market.¹⁶⁷ When analyzed using a three-year moving average, the subject imports show significant and increasing trends in

¹⁶⁰ We analyzed the volume (i.e., value) of sales (i.e., contracts awarded) as well as the volume of shipments because the production and shipment of a particular order may and can take up to two years or more after the contract is awarded to a particular bidder. Tr. at 44-45. Accordingly, for purposes of these preliminary investigations, a complete analysis of the market volume of imports appropriately needs to include the sales value of the subject imports as well as the shipments value of the subject imports. We invite the parties to brief this issue in full in any final investigations.

¹⁶¹ As noted previously, in these investigations Commissioner Crawford has focused her analysis on the point in time when competition between subject imports and the domestic product occurs, that is, when a contract is awarded to the winning bid.

¹⁶² On a shipments basis, the volume of cumulated subject imports increased from \$*** in 1992 to \$*** million in 1993 and \$*** million in 1994. Interim data for 1995 suggest that the cumulated subject imports are maintaining a significant market presence in 1995 as well, with shipments of \$*** million occurring in the first quarter of the year. CR at I-54, PR at II-20.

¹⁶³ On a shipments basis, the market share of cumulated subject imports increased from essentially *** in 1992 to *** percent in 1993 and *** percent in 1994. Interim data for 1995 suggests that the cumulated subject imports are maintaining significant market share in 1995 as well. CR at I-55, PR at II-20.

¹⁶⁴ On a contracts-awarded basis, the volume of cumulated subject imports was \$*** million in both 1992 and 1993. Although the volume of contracts awarded dropped to \$*** million in 1994, the volume of contracts awarded in the first six months of 1995 surged to \$*** million with the award of the Washington Post sale to Mitsubishi. On a contracts-awarded basis, market shares of the subject imports fluctuated during the period, with the subject imports obtaining *** percent of the market in 1992, *** percent of the market in 1993, *** percent of the market in 1994 and increasing to *** percent of the market in 1995. CR at I-60-I-62, PR at II-22.

¹⁶⁵ *Id.*

¹⁶⁶ Commissioner Crawford has not used a three-year moving average in her analysis. In her view, the relevance of a moving average is not clear, particularly in light of the conditions of competition distinctive to the domestic industry.

¹⁶⁷ The three-year moving average for the share of imports (on either a contracts-awarded or shipments made basis) was calculated for consecutive three year periods (e.g., 1991-1993, 1992-1994, etc.) by taking the ratio of the sum of the imports (or import sales) to the sum of total shipments (or total sales) over the period in question.

market share during the period of investigation.¹⁶⁸ Given the foregoing, we find that, whether considered on a shipments or contracts-awarded basis, the volume of imports and the increase in that volume are significant.

B. Price Effects of Imports¹⁶⁹

In these investigations, our pricing analysis is complicated by several factors, including the fact that each sale is customized to the specifications for the particular customer.¹⁷⁰ It does not appear, for example, that different sales by the same producer are necessarily directly comparable to one another (e.g., same model Rockwell LNPP sold to different newspapers in competitive and non-competitive bidding instances).¹⁷¹ Thus, conventional price comparisons to assess underselling and price depressing/suppressing effects are not as useful in these investigations as in other investigations involving less customized, more commodity-like products. Assessing the substitutability between subject imports and domestic like product likewise is complicated by the fact that technologies and design in competing bids can be substantially different.¹⁷² Assuming these investigations proceed to the final stage, there is much information that purchasers should be able to provide to help clarify how comparable LNPPs offered by different producers really are.

Because of the importance of meeting a customer's particular specifications and technological needs, price appears not to be the most important factor in many bid situations. For example, in 12 out of 31 competitive sales, the lowest bid did not win the sale.¹⁷³ At the same time, once different competing bids are assessed and particular technology and quality thresholds are met, price appears to become a significant deciding factor. (In the other 19 competitive bids, the lowest bid did win the contract.)¹⁷⁴ In that connection, the overlap of bids by Japanese and German producers and Rockwell,¹⁷⁵ and the fact that German and

¹⁶⁸ INV-S-109 at 2 (August 15, 1995). A three-year moving average analysis indicates that, on a contracts-awarded basis, the subject imports market share was *** percent in the period 1991-1993, remained relatively stable at *** percent in 1992-1994, and increased to *** percent in 1993-1995. On a shipments basis, the three-year moving average analysis indicates that the market share of imports increased from *** percent in 1991-1993 to *** percent in 1992-1994 and further increased to *** percent in 1993-1995. Id.

¹⁶⁹ We were able to examine closely the adverse price effects of the subject imports because we have data on most of the individual bids that occurred during the period of investigation. CR at I-60-I-62; PR at II-22. Accordingly, we examined in some detail the role lower priced subject imports have had in forcing the industry to lower prices in actual transactions. Although we obtained a significant amount of data on the price competition that occurs at the bid level in these preliminary investigations, as noted earlier, we intend to seek more information on the exact nature of the initial and final stages of the bid competition process.

¹⁷⁰ CR at I-57-I-58, PR at II-21-22.

¹⁷¹ CR at I-56-I-57, PR at II-20-21.

¹⁷² CR at I-56-I-57, PR at II-20-21.

¹⁷³ CR at I-65, PR at II-23.

¹⁷⁴ CR at I-57, I-65-I-66, PR at II-21, II-23-24.

¹⁷⁵ CR at I-60-61, PR at II-22. For purposes of our pricing analysis, we have considered bids by TKS (U.S.A.) to be bids involving subject merchandise from Japan because (i) 80 percent of the components used in TKS (U.S.A.)'s bids are produced in Japan, (ii) the evidence suggests that TKS (U.S.A.) is acting primarily as a selling agent for TKS (Japan) in the United States and (iii) TKS (U.S.A.) is a wholly-owned subsidiary of TKS (Japan). See "Related Parties" discussion above.

Japanese producers were each awarded some contracts instead of Rockwell,¹⁷⁶ suggests that the technologies and quality offered by these producers make their respective LNPPs and press additions at least moderately substitutable.¹⁷⁷

Most of the competition was for new press-lines (20 out of 33 competitive bids).¹⁷⁸ In that connection, Rockwell's bids on new press-lines showed an average *** in competitive bids as compared to *** in non-competitive bids.¹⁷⁹ Where there was import competition for the press line, Rockwell's final bid was *** than its initial bid.¹⁸⁰

Accordingly, the evidence indicates that direct head-to-head price competition in the LNPP market occurs between domestic and foreign producers during the lengthy bidding process for an individual contract¹⁸¹ and that purchasers use the prices of competing bids to negotiate lower prices with other bidders.¹⁸² Thus, to the extent that there is underbidding on

¹⁷⁶ *Id.*

¹⁷⁷ Commissioner Crawford does not join the remainder of this discussion of the price effects of subject imports. She concurs that there is at least moderate substitutability between subject imports and the domestic product at their respective bid prices. However, she finds that product differences among competing bids make underselling comparisons, based on absolute prices, meaningless. Nonetheless, Commissioner Crawford concurs that subject imports are having significant effects on domestic prices for large newspaper printing presses. To evaluate the effects of the dumping on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were dumped with what domestic prices would have been if the imports had been fairly traded. In most cases, if the subject imports had not been traded unfairly, their prices in the U.S. market would have increased. As noted above, in these investigations Commissioner Crawford has focused her analysis on the point in time when competition between subject imports and the domestic product occurs, that is, when a contract is awarded to the winning bid. In these investigations, the alleged dumping margins are 46.40 percent for Germany and 78.22 to 179.55 percent for Japan. Thus, contract bid prices for the subject imports likely would have risen by a significant amount if they had been priced fairly, and they would have become more expensive relative to the domestic product and nonsubject imports. In such a case, demand would have shifted away from subject imports and towards the relatively less-expensive products. In these investigations, nonsubject imports are an insignificant presence in the domestic market, and thus virtually all of the demand for subject imports would have shifted to the domestic product had subject imports been priced fairly. As demand for the domestic product would have increased, the domestic industry would have been able to increase its prices, unless price discipline exists in the market. The domestic industry has sufficient available capacity to supply the demand satisfied by subject imports, which normally would impose price discipline on domestic prices. In this industry, however, one producer, the petitioner, dominates the market, and nonsubject imports are insignificant. Thus, there is no competition among domestic producers and from nonsubject imports that would have imposed discipline on domestic prices. Because of its market dominance, petitioner has sufficient market power to increase prices or increase production, or some combination of each, as determined by its own economic benefit. Thus, if subject imports had been fairly traded, the domestic industry would have been able to increase its prices significantly. Consequently, Commissioner Crawford finds that subject imports are having significant effects on domestic prices for large newspaper printing presses.

¹⁷⁸ CR at I-64 & n.66, PR at II-23, & n. 66.

¹⁷⁹ INV-S-107 at 2 (August 10, 1995).

¹⁸⁰ In this regard, we note that this fact would appear to undermine the assertion by counsel for respondents that bidding behavior by Rockwell did not vary significantly in non-competitive and competitive situations. See Joint Respondents' Brief at 38-40.

¹⁸¹ See CR at I-56-57, PR at I-20-21.

¹⁸² *Id.*

a particular contract by the subject imports, it can have significant adverse effects on domestic producers' prices, even when the domestic producers actually win the sale.^{183 184}

We find that the preliminary evidence suggests that there has been significant price underselling by the subject imports during the period of investigation and that the subject imports have depressed prices to a significant degree. On a number of bids involving merchandise with very substantial value, the subject imports underbid the domestic industry significantly.¹⁸⁵ Moreover, on these bids, the domestic producers in question were forced to drop their prices significantly from the first to the final bid during the negotiation process.^{186 187}

C. Impact of Subject Imports on the Domestic Industry

In a market characterized by a small number of high-value sales and by demand that is not significantly affected by price changes,¹⁸⁸ the loss of one or two sales can have a significant and continuing impact on the overall financial condition of the domestic industry. In these preliminary investigations, the evidence suggests that the petitioner lost significant revenues and/or sales due to allegedly LTFV subject import competition during the period of investigation.¹⁸⁹ Because this is a market with a relatively limited number of sales per year, the domestic industry's loss of these sales and/or revenues represents income that cannot easily be recovered by obtaining other sales in the market. The fact that these lost sales and revenues have had an adverse impact on the operations of the domestic industry is demonstrated by the fact that domestic shipments and net sales revenues have dropped

¹⁸³ An analysis of the pricing data for bids awarded during the period of investigation indicates more significant drops in price from the initial bid stage to the final bid stage in competitive bidding situations than in non-competitive bidding situations. INV-S-107 at 2 (August 10, 1995).

¹⁸⁴ Vice Chairman Nuzum notes that the estimated dumping margins identified by Commerce in its notice of initiation -- 46.40 percent for Germany and 78.22 percent to 179.55 percent for Japan -- are large. In a market where price appears to become increasingly important as the bidding process approaches its conclusion, dumping margins of this magnitude are likely to contribute significantly to the adverse effects of underbidding by respondents, including price depression and suppression.

¹⁸⁵ Of the *** lost sales or revenue allegations made by petitioner that involved actual competition from one or more subject countries during the period of investigation, the subject imports underbid the domestic producers in *** cases by margins ranging up to *** percent. CR at I-66, I-68-69, PR at II-23-24. These *** bids involved approximately \$*** million in merchandise during the period of investigation. CR at I-66, I-68-I-69, PR at II-24.

¹⁸⁶ For example, in the lost revenue allegations involving actual import competition during the period of investigation, the petitioner may have lost a total of \$*** million due to price competition from allegedly LTFV subject imports. CR at I-66, PR at II-24. Moreover, the evidence also suggests that, on the *** sales during the period of investigation that were lost to subject imports, the petitioner reduced its price during the bidding process by an approximate aggregate amount of \$*** million. CR at I-66 - I-69, PR at II-23-24.

¹⁸⁷ The price effects of subject imports can be seen in the case of the Washington Post sale. ***.

¹⁸⁸ As noted previously, Chairman Watson and Commissioner Crawford believe aggregate demand is somewhat elastic. See footnote 101.

¹⁸⁹ During the period of investigation, the petitioner may have lost a total of \$*** million due to price competition from allegedly LTFV subject imports. CR at I-66, PR at II-24. Moreover, the domestic industry has lost to date approximately \$*** million worth of sales in the face of competition from lower priced subject imports. CR at I-69, PR at II-24.

significantly during the period of investigation.¹⁹⁰ ¹⁹¹ Moreover, for this industry, the loss of a sale or sales revenue will have an ongoing negative effect on a producer's financial operations because of the extended period of time during which production occurs and payments are made.¹⁹²

In these investigations, the impact of the imports on the domestic industry is reflected primarily in their significant share of the market, the recent dramatic increase in volume and market share resulting from the loss of the Washington Post sale, and the significant price effects of the subject imports. The evidence indicates that these developments have been significant factors in the domestic industry's lackluster financial performance during the period of investigation.

In addition, the significant declines in employment levels by the industry during the period of investigation are due at least in part to the subject imports.¹⁹³ This is a significant impact in an industry where, as here, the workforce is a type of "intellectual capital" that is a critical company asset.¹⁹⁴

Finally, the loss of sales revenues also has an adverse impact on the current and existing development efforts of the domestic industry. In this industry, producers develop technology, among other ways, by responding to technical challenges posed by the production of individual projects.¹⁹⁵ In this regard, the loss of the Washington Post and other

¹⁹⁰ The domestic shipments of the domestic industry dropped from \$*** million in 1992 to \$*** million in 1994, while their net sales value dropped from \$*** million in 1992 to \$*** million in 1994. INV-S-106 at 2 (August 10, 1995).

¹⁹¹ Commissioner Crawford does not join the remainder of this discussion, although she concurs that subject imports are having a significant impact on the domestic industry. In her analysis of material injury by reason of dumped imports, Commissioner Crawford evaluates the impact on the domestic industry by comparing the state of the industry when the imports were dumped with what the state of the industry would have been had the imports been fairly traded. In assessing the impact of the subject imports on the domestic industry, she considers, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors as required by 19 U.S.C. § 1677(C)(iii). These factors together either encompass or reflect the volume and price effects of the dumped imports, and so she gauges the impact of the dumping through those effects. In this regard, the impact on the domestic industry's prices, sales and overall revenues is critical, because the impact on the other industry indicators (e.g., employment, wages, etc.) is derived from this impact. As noted earlier, had subject imports been priced fairly, virtually all of the demand for subject imports would have shifted to the domestic product. The increase in demand for the domestic product would have increased the domestic industry's output and sales significantly. In addition, the increase in demand for the domestic product would have permitted the domestic industry to increase its prices without effective discipline from competition within the industry or from nonsubject imports. The combination of price increases and sales increases would have resulted in a significant increase in domestic revenues, had the subject imports been fairly traded. Consequently, the domestic industry would have been materially better off if the subject imports had been priced fairly. Therefore, Commissioner Crawford determines that there is a reasonable indication that the domestic industry is materially injured by reason of the subject imports.

¹⁹² CR at I-58, PR at II-21-22; Tr. at 46-47.

¹⁹³ CR at Table A-6, PR at A-3. The number of production workers has dropped from *** in 1992 to *** in 1994 while hours worked has dropped from *** thousand in 1992 to *** in 1994. Wages paid have dropped from \$*** million to \$*** million. Id.

¹⁹⁴ Tr. at 36-38.

¹⁹⁵ CR at G-10-G-15, PR at G-3-G-6; Tr. at 37-38.

sales are hampering development efforts by domestic producers.¹⁹⁶ We will, however, seek additional information on this issue in any final investigations.

CONCLUSION

For the foregoing reasons, we determine that there is a reasonable indication that the domestic industry is materially injured^d by reason of allegedly LTFV imports of LNPPs, press additions and components from Germany and Japan.

¹⁹⁶ Id.

SEPARATE VIEWS OF COMMISSIONER ROHR AND COMMISSIONER NEWQUIST

Unlike our colleagues, in these preliminary investigations we find there is a reasonable indication that the domestic industry producing large newspaper printing presses, large press additions, and large press components, is threatened with material injury by reason of imports of this merchandise from Germany and Japan which are allegedly sold in the United States at less-than-fair-value.

Except as otherwise noted therein, we concur in our colleagues' discussion of like product, domestic industry, condition of the domestic industry, and negligible imports. However, since our view of the condition of the domestic industry in large part necessitates these separate views, we begin our discussion there.

I. CONDITION OF THE DOMESTIC INDUSTRY

In our analytical framework, for purposes of a preliminary investigation, we first determine whether there is a reasonable indication that the domestic industry is "experiencing material injury" before we reach the question of whether such injury is "by reason of" subject imports. What constitutes material injury will vary from one industry to another. In this regard, in our view, no single performance indicator is dispositive of the question of injury.

Here, we find that the domestic industry is vulnerable to the continuing adverse effects of allegedly unfair imports from Germany and Japan. For us, this condition finding largely is a product of the unique nature of competitive conditions in the marketplace.¹ That is, unlike an abundant, low-technology commodity product, such as steel products, transactions involving printing presses in any given year are relatively few and isolated. Thus, as a general observation, the sale of a single printing press system can be the difference between a "good" and a "bad" year for the domestic industry. Moreover, because of the nature of this marketplace, it is virtually impossible, and not particularly helpful, to compare the performance of the industry from one year to the next.

In light of the foregoing, we are of the view that the data gathered to date evidence a domestic industry which is vulnerable to the continuing adverse effects of allegedly unfair imports.

II. CUMULATION

The cumulation provision provides, in pertinent part, that for purposes of a threat of material injury analysis,

the Commission may cumulatively assess the volume and price effects of imports from two or more countries if such

¹ In this regard, Commissioner Newquist notes that his affirmative determinations in these investigations are based on the available data. However, he further notes that the "one time" or "big" sale condition of trade in this market rarely has been the subject of Commission investigations. Therefore, he would "continue" these investigations for the purpose of eliciting more complete information on these unique competitive conditions and the effect of these conditions on whether the domestic industry is materially injured or threatened with material injury by reason of the allegedly unfair subject imports.

imports -- compete with each other, and with the like products of the domestic industry, in the United States market.²

In these investigations, Commissioner Newquist has cumulated the effects of imports from Germany and Japan. For purposes of a threat of material injury analysis, Commissioner Rohr does not formally cumulate imports, though he does recognize that the presence of imports from one country can exacerbate the threat of material injury posed by the imports from other countries.

Here, Commissioner Rohr finds a reasonable indication that imports from each subject country individually threaten the domestic industry with material injury. Further, he does find it appropriate to consider the presence of imports from both countries as another demonstrable adverse trend. Accordingly, in his view, since each country alone is a cause of threat of material injury, for purposes of not further fragmenting these separate views, he joins Commissioner Newquist in the following "cumulated" analysis.

III. THREAT OF MATERIAL INJURY

The legal standard in preliminary antidumping 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 less-than-fair-value imports.³ 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."⁴

In determining whether the domestic industry is threatened with material injury, the statute directs that we consider several factors, none of which are necessarily dispositive.⁵ In addition, the 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."⁶ We have carefully scrutinized each relevant statutory factor and discuss each below.

Imports of the subject merchandise from Germany and Japan fluctuated greatly during the period of investigation: in some years, the value of such imports was very substantial; in others, virtually nonexistent.⁷ Importantly, in our view, such ability of the allegedly dumped imports to enter, abandon, and re-enter the domestic market with ease, demonstrates the likelihood of increased "values" of imports from Germany and Japan when there is demand for the subject merchandise.

² 19 U.S.C. § 1677(7)(F)(iv)(I).

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

⁴ *American Lamb Co. v. United States*, 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).

⁵ See 19 U.S.C. §§ 1677(7)(F)(i) and (iii).

⁶ 19 U.S.C. § 1677(7)(F)(ii).

⁷ Report at Table 16. We note that consumption and other shipment and production data generally are expressed in terms of value, since there otherwise is no particular "unit" by which to quantify or measure these performance indicators. We further note that due to the few number of domestic producers, most data concerning the industry and the presence of subject imports in the domestic marketplace are confidential and cannot be specifically discussed.

Similarly, and even more importantly, when the subject imports have been present in the U.S. market, the presence has been significant.⁸ For example, and although precise percentages are confidential, in 1991, the subject imports accounted for a relatively large share of domestic consumption. In 1992, the imports more or less were absent from the market. In 1993, imports from Germany and Japan accounted for more than double the 1991 level -- a level which itself was quite substantial. Thus, not only does the record demonstrate that these imports enter the market relatively unimpeded, it also demonstrates that the market share quickly accounted for by these imports upon their "entrance" is often very significant.⁹

Although Commission staff was not able to obtain much reliable data concerning capacity to produce the subject merchandise in Germany and Japan, the available data manifest that very little of the two countries' production is exported to the U.S. -- in other words, most of the cumulated production is consumed either in each country's home market or exported to third countries.¹⁰ In fact, for each full year for which data are available, the two countries' home market consumption and their exports to third countries, each surpassed the corresponding level of U.S. consumption.¹¹ Thus, without even utilizing "underutilized capacity" or increasing capacity,¹² the two countries have evidenced significant production that could be diverted to the U.S. with relative ease, particularly in view of the imports' demonstrated ability to enter the domestic market unimpeded.

Although contract bid data were not verified by Commission staff, data presented by the petitioner manifest a reasonable indication that the subject imports have depressed and suppressed domestic bid prices, either by winning contracts with lower bids or forcing domestic producers to lower initial bids.¹³ Again, in light of the nature of this industry and market, lowering even one bid to compete with the price of an allegedly unfair printing press can result in the loss of millions of dollars to the domestic industry.

Finally, as examined in our colleagues' condition of the industry discussion, the domestic industry reported irregularly declining capital expenditures and research and development expenditures during the period of investigation.¹⁴ In our view, notwithstanding that the newspaper printing press industry is hundreds of years old, today, in the early stages of the information superhighway, it is more critical than ever that the industry remain on the cutting edge of technological advances, if it is to remain viable. We find that the adverse impact of the allegedly unfair imports are reflected in declines in investment in research and technology -- both of which are vital to the industry.

⁸ Report at Table 17.

⁹ This phenomenon is not surprising, however, since one importation may supply one or more of very few "sales" during a given year.

¹⁰ Report at Table 15.

¹¹ Report at Tables 1 and 15.

¹² Although requested by Commission staff, the parties were unable to provide consistent and usable capacity data.

¹³ Report at Tables 18-20.

¹⁴ See "Majority Opinion," supra at I-21.

IV. CONCLUSION

Based on the foregoing, we determine that there is a reasonable indication that the domestic industry producing large newspaper printing presses, large press additions, and large press components, is threatened with material injury by reason of imports of this merchandise from Germany and Japan which are allegedly sold in the United States at less-than-fair-value.

PART II
INFORMATION OBTAINED IN THE INVESTIGATIONS

INTRODUCTION

These investigations result from a petition filed by Rockwell Graphic Systems, Inc. (Rockwell), Westmont, IL, on June 30, 1995, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of large newspaper printing presses and components thereof, whether assembled or unassembled,¹ from Germany and Japan.² Information relating to the background of the investigations is provided below.³

<i>Date</i>	<i>Action</i>
June 30, 1995	Petition filed with Commerce and the Commission; ⁴ institution of Commission investigation (60 F.R. 35564, July 10, 1995)
July 21, 1995	Commission's conference ⁵
July 27, 1995	Commerce's notice of initiation (60 F.R. 38546)
August 14, 1995	Commission's vote
August 14, 1995	Commission determinations transmitted to Commerce

THE PRODUCT

The imported products subject to these investigations are large newspaper printing presses, including press systems, press additions, and press components, whether assembled or unassembled,⁶

¹ For purposes of these investigations, the products covered are large newspaper printing presses, including press systems, press additions, and press components, whether assembled or unassembled, that are capable of printing or otherwise manipulating a roll of paper more than two pages across. These products are provided for in subheadings 8443.11.10, 8443.11.50, 8443.30.00, 8443.60.00, and 8443.90.50 of the *Harmonized Tariff Schedule of the United States (HTS)* with most-favored-nation (MFN) tariff rates of 3.3 percent, 2.6 percent, 3.1 percent, 2.6 percent, and 2.6 percent ad valorem, respectively, applicable to imports from Germany and Japan. According to the Department of Commerce notice in these investigations, large newspaper printing presses may also enter under *HTS* subheadings 8443.21.00 and 8443.40.00 with MFN tariff rates of 3.1 percent ad valorem. Also, according to Commerce, large newspaper printing press computerized control systems may enter under *HTS* subheadings 8471.91.40 (free), 8471.91.80 (3.5 percent ad valorem), 8524.21.30 (8.7 cents per m² of recording surface), 8524.90.20 (free), 8524.90.30 (4.8 percent ad valorem), 8524.90.40 (7.8 cents per m² of recording surface), 8537.10.30 (4.8 percent ad valorem), 8537.10.60 (4.8 percent ad valorem), and 8537.10.90 (4.8 percent ad valorem). Of these *HTS* subheadings, only 8443.11.10, which became effective January 1, 1995, is specific to certain large newspaper printing presses, whereas the other subheadings also cover a multitude of other products.

² A summary of the data collected in the investigations is presented in app. A.

³ *Federal Register* notices cited in the tabulation are presented in app. B.

⁴ The petition alleged LTFV margins to be as follows: Germany 67.67 percent and Japan 76.78 to 179.61 percent, with a weighted average of 165.30 percent for Japan. Petition, vol. II, p. 53 and vol. III, pt. 1, p. 97. The Department of Commerce recalculated the alleged LTFV margins by using its methodology and arrived at estimated LTFV margins of 46.40 percent for Germany and 78.22 to 179.55 percent for Japan.

⁵ A list of witnesses appearing at the conference is presented in app. C.

⁶ Initiation of Antidumping Duty Investigation: Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan, Import Administration, International Trade Administration, U.S. Department of Commerce, July 20, 1995.

that are capable of printing or otherwise manipulating a roll of paper more than two pages across.⁷ In addition to complete systems, the scope of these investigations includes the five press system components. They are printing units, reel tension pasters (RTPs), folder(s), conveyance and access apparatus, and computerized control systems capable of printing or manipulating a roll of paper more than two pages across.⁸ Imported single-width (small) newspaper printing presses are not included in the scope of these investigations.⁹

A printing unit is any component that prints pages in monicolor, spot color, and/or process (full) color,¹⁰ or a printing-unit cylinder. The principal function of an RTP is to support the entire press and to feed a continuous stream of paper more than two newspaper broadsheet pages in width through the printing unit into the folder. RTPs typically have two or three arms, and as one arm holds the roll that is being fed into the press the other arm(s) hold(s) a new roll in readiness for feeding the press. Before the roll that is feeding the press runs out, one of the ready rolls rotates into place and is automatically pasted to the end of the expended roll, maintaining a continuous feed of paper into the press.

A folder is a module or combination of modules capable of cutting, folding, and/or delivering the paper from a roll or rolls of newspaper broadsheet paper more than two pages in width into a newspaper format. The folder gathers together either a single web¹¹ or multiple webs, and makes up to four slits, arranges the pages, folds them into sections, and compiles the sections into a finished paper. Folders, the most critical element of a printing press, determine the output speed of a printing press.^{12 13}

Conveyance and access apparatus include all the platforming required for operation and maintenance, as well as the drives and other apparatus that provide structural support and access. Computerized control systems are any computer equipment and/or software designed specifically to control, monitor, adjust, and coordinate the functions and operations of large newspaper printing presses or press components. A press addition is composed of a union of one or more of the press components defined above and the equipment necessary to integrate such components into an existing system. Press components are the "building blocks" of presses and press additions. A complete press requires all of the press components, whereas press additions use selected components to expand or modify an existing press.

Because of their size, large newspaper printing press systems, press additions, and press components are typically shipped either partially assembled or unassembled. Any of the five components, or combinations of components, the use of which is to fulfill a contract for large newspaper printing press systems, press additions, or press components, regardless of degree of disassembly and/or degree of combination with nonsubject elements before or after importation, are included in the scope of these investigations. This scope does not cover spare or replacement parts. Further, these investigations cover all printing technologies capable of printing newspapers,

⁷ A page means a newspaper broadsheet page in which the lines of type are printed perpendicular to the running of the direction of the paper, or a newspaper tabloid page with lines of type parallel to the running of the direction of the paper.

⁸ A summary of the data collected on components of large newspaper printing presses is presented in app. D.

⁹ A summary of the data collected on small newspaper printing presses is presented in app. E.

¹⁰ Black, cyan, magenta, and yellow are the four ink types used to produce full process color.

¹¹ A web is created when large rolls of newsprint are attached to other large rolls during printing to form a continuous supply of paper.

¹² Postconference brief, Wilmer, Cutler & Pickering, p. 5.

¹³ ***.

including, but not limited to lithographic (offset or direct),¹⁴ flexographic,¹⁵ and letterpress systems. Flexographic and offset processes are not mutually exclusive. It is possible to combine units using both processes (and/or letter press technology) in a single large newspaper printing press.

Physical Characteristics and Uses

Large newspaper printing presses, also known as double-width or four-wide presses, are designed to print major daily papers for large metropolitan newspapers with substantial circulations. These machines are capable of producing tens of thousands of newspapers per hour. Large newspaper printing presses are individually designed to meet each purchaser's requirements and require sophisticated engineering, programing, and manufacturing (custom or special order sale); and must be extremely reliable. Design, construction, and installation require long-term contracts covering all aspects of the sale and installation.

Large newspaper printing presses use large rolls of newsprint that, when attached to other rolls during printing, constitute a continuous supply of paper (called a web). As the web is drawn through the printing unit, each couple produces a one-color image on a given page; multiple couples enable multicolor printing. As the web moves through the press at a high speed (up to 30 mph), a great degree of precision in placement of the images is required, particularly when the web passes through more than one couple to produce multicolor images.

Press manufacturers use different configurations of cylinders to achieve the desired combination of colors. Stacking printing units into a multi-unit module (called a "tower") or placing them in line both achieve the desired print characteristics. The more modern approach is the blanket-to-blanket "four-high tower" configuration that Rockwell pioneered in the late 1980s. It revolutionized the industry by permitting full-process color printing on both sides of the web simultaneously. Today, Rockwell's blanket-to-blanket four-high tower approach is the standard for virtually all large newspaper printing press installations in the United States and throughout the world.

The blanket-to-blanket approach is used only in offset printing and places two plate-blanket couples side by side with the blankets impressed upon each other. The web of paper is drawn between the couples, printing both sides of the web simultaneously at high speed. Additional couples placed above them may add colors. Full process color blanket-to-blanket printing requires a tower with four two-couple printing units. The tower configuration gives the printer great versatility. For example, if the newspaper wants only one or two colors on a page, it can pass two webs through a single tower, with the bottom module printing one web and the top module printing the other.

¹⁴ In offset lithographic printing the image to be printed, composed of text, line art, and/or half-tone reproductions (photographs), is typically transferred to a metal plate. The plate is chemically treated so that the image-bearing portions of the plate attract oil-based liquids and repel water-based liquids, while the reverse is true of the nonimage portions. The plate is then mounted around a plate cylinder. Ink rollers and dampener rollers coat the plate cylinder with ink (an oil-based liquid) and an aqueous dampening solution. The dampening solution selectively wets the nonimage portion of the plate, which prevents the ink from doing so. The ink image on the plate cylinder is then transferred (offset) by contact to the blanket that is wrapped around the blanket cylinder. As paper is drawn through the press by the blanket cylinder and its opposing cylinder, the image is transferred to the paper. The combination of a plate cylinder and a blanket cylinder is called a "couple." Petition, vol. I, pp. 9-10.

¹⁵ In the flexographic process the image to be printed is exposed onto a light-sensitive, flexible, plastic-coated metal plate that, after development, yields a raised image on the surface of the plate. The plate is placed on a cylinder and coated with water-based ink by an anilox roller. The image is transferred directly to the paper when the web passes between the plate cylinder and an opposing impression cylinder. This combination of plate cylinder and impression cylinder, required for flexographic printing, is also called a couple. Petition, vol. I, pp. 10-11.

The other cylinder configuration, the common impression cylinder ("CIC," also known as the "satellite"), is an older technology. It places one or more couples in contact with a central cylinder that itself does no printing. The central cylinder keeps the web in contact with the couples, each of which prints a single color onto one side of the web. Printing the other side of the web requires passing the web through another couple. These different approaches to cylinder arrangement are not mutually exclusive. Customers occasionally combine CIC units and towers in the same press line. This typically occurs when a customer adds a tower to an existing press in order to add color printing.

Large newspaper printing presses use four basic types of inking systems: open fountain, digital injection, positive-feed keyless, and passive-feed keyless.¹⁶ Keyless inking and color printing represent the two latest technological breakthroughs in this industry.¹⁷ Active-feed keyless inking is Rockwell's latest inking system and is, according to Rockwell, the industry's most advanced. Keyless printing enables newspapers to increase productivity, achieve consistent color, and improve operating efficiencies by reducing waste.

Press additions are purchased by newspapers to expand or change the capabilities of their presses, such as to increase the amount of color they can print or to increase the number of pages, and it is possible to buy a press addition from a producer that did not make the original press.¹⁸

Use of Common Manufacturing Facilities and Production Employees

Rockwell produces both large offset and flexographic newspaper printing presses, press additions, and press components at its Cedar Rapids, IA, production facility, using the same equipment and the same employees.¹⁹ It receives its iron and steel printing unit frames, brackets, angle bars, and gear blanks, and its solid stainless steel cylinders and rollers as raw castings and forgings. Rockwell uses machine tools to perform complex machining, turning, grinding, milling, and boring procedures to form the frames, gears, cylinders, and rollers to extraordinarily precise specifications and tolerances. Over *** percent of Rockwell's machine tools are computer controlled.

Rockwell performs its complex machining in a special production unit called the flexible manufacturing system. The raw castings are mounted on an automated system that maintains the part in near-perfect horizontal and vertical alignment. The system shuttles the part among *** automated machining stations that perform different processes. The computerized controls place holes in a precise relationship to one another. To avoid metal contraction or expansion that could distort

¹⁶ Keyless systems are divided into two groups--passive-feed and active-feed. Active-feed systems use machinery, like a pump, to deliver ink onto the roller. Passive-feed systems rely on the roller coming into contact with the bulk supply of ink, picking up a quantity of ink, and delivering it to the cylinder. The system is passive because the roller accepts the ink rather than receiving it through some mechanism. The most common passive-feed system uses an anilox roller originally designed for printing fabrics. Active-feed systems use a mechanical intermediary to convey ink to the roller. In Rockwell's system, a series of pumps delivers a fixed volume of ink to the roller. Since the pump actively takes in a fixed volume of ink, variations in viscosity do not affect the amount of ink delivered to the roller. Thus, the active-feed system can accept any manufacturer's ink and function consistently throughout a print run. Postconference brief of Wiley, Rein & Fielding, vol. II, pt. II, p. 22.

¹⁷ Conference transcript, p. 193.

¹⁸ Postconference brief of Wiley, Rein & Fielding, pt. II, pp. 14-16.

¹⁹ In 1990, to supplement Cedar Rapids' production and maintain core competency among its skilled workers, Rockwell transferred production of commercial and publication printing presses from Chicago, IL, and Peterborough, England. These presses are produced on their own separate, dedicated assembly lines.

machining, Rockwell maintains the entire system in a controlled environment at a constant temperature. Flexible manufacturing system processing is especially useful for producing large numbers of identical heavily machined parts.²⁰ Cylinders are configured to conform to the width of paper (newsprint) each customer plans to use. Computer-based press control systems employed by Rockwell's large newspaper printing presses are provided by Rockwell's sister company, Allen-Bradley.

Finished presses are never fully assembled and tested at the plant. Before a press is ready for shipment, Rockwell will perform certain electrical and mechanical tests and run paper through the folders. The presses are then knocked down, packaged, and readied for shipment by truck.

Interchangeability and Customer and Producer Perceptions of the Products

At the conference and in its postconference brief, the petitioner argued that there was little or no functional difference between offset and flexographic newspaper printing presses.²¹ Differences lie only in the printing plates, conveyance rollers and press cylinders and rollers, and the inking systems. All other components, according to Rockwell, including the folders, RTPs, conveyance and access apparatus, and computer controls, are the same for offset and flexographic printing presses.²²

Counsel for MAN Roland, on the other hand, argued that flexographic and offset presses represent entirely distinct approaches to printing. However, in its postconference brief, MAN Roland stated that it was willing to accept the inclusion of offset and flexographic presses within a single like product for purposes of the preliminary determination.²³ During the conference, MAN Roland's counsel indicated that offset and flexographic presses require different components and parts, use different inks and printing plates, produce different print and color qualities, have different cost structures, and are totally different in appearance.²⁴ MAN Roland contends that they are entirely different products that accomplish a similar result. Officials of MAN Roland stated that offset and flexographic presses are perceived by newspapers as separate products that can compete to some extent, but are not in direct competition. Flexography, according to MAN Roland, is a mechanical application, while offset is a chemical process that relies on a different method of applying ink.

At the conference MAN Roland cited *USA Today* as an example of a newspaper that uses both single-width and double-width printing presses.²⁵ Counsel for Rockwell suggested that MAN Roland's testimony implied that there was an overlap between single- and double-width presses printing between 50,000 and 60,000 copies per hour.²⁶ Counsel for Rockwell argued that the like product should not be expanded beyond the scope to include single-width presses. Rockwell maintains that parts of single- and double-width presses are not interchangeable, their physical appearances are noticeably different, and customers choose between the two based on their specific

²⁰ Petition, vol. III, pt. 1, pp. 38-39.

²¹ Conference transcript, p. 65.

²² Postconference brief, Wiley, Rein & Fielding, p. 6.

²³ MAN Roland also argued that there is no reasonable overlap in competition between imports from Germany and imports from Japan. Postconference brief of Shearman & Sterling, exh. 5, p. 11.

²⁴ Conference transcript, pp. 160-161.

²⁵ Single-width presses are designed and manufactured to print newspapers on a roll or sheet of paper two pages across. Each component is considerably smaller and narrower than that of a large newspaper printing press. Single-width presses are less complex in design, less complicated to produce, and are priced substantially lower than large printing presses. They are best suited for relatively small newspapers printing less than 50,000 copies per hour with a limited number of sections. Postconference brief of Wiley, Rein & Fielding, p. 12.

²⁶ Postconference brief of Wiley, Rein & Fielding, p. 13.

marketing and circulation needs and do not consider them to be interchangeable. Rockwell argues that, taking into account the combination of circulation, page count, and number of sections, there is no meaningful overlap between newspapers that use large newspaper printing presses and those that can use small newspaper printing presses.²⁷ According to TKS (U.S.A.), an overlap market exists between small newspaper printing presses and MAN Roland's and KBA-Motter's smaller flexographic presses, both of which are marketed to and used by smaller metropolitan newspapers; therefore, large and small presses coexist and overlap on the same product continuum with no obvious breaking or dividing point.²⁸ Additional information on small newspaper printing presses is presented in appendix E.

Each issue of the *USA Today*, according to counsel for Rockwell, is relatively small with standardized sections of similar page length. Thus, the newspaper's product plan does not require the flexibility of a large printing press. However, where its circulation needs require a large number of copies, *USA Today* utilizes a large newspaper printing press; it uses a single-width press only in an area of lower circulation where a small number of copies will suffice. Rockwell indicated that its single-width and double-width presses are constructed in separate manufacturing facilities, using different machine tools and different production workers.²⁹ MAN Roland's double-width Mediaman press, according to Rockwell, does not compete with Rockwell's single-width presses. However, counsel for Tokyo Kikai Seisakusho (TKS)³⁰ stated that small newspaper printing presses can and do substitute for large newspaper presses for purchasers producing low-volume newspapers. Counsel argues that, accordingly, the like product definition should be expanded beyond the scope of these investigations to include small newspaper presses because there is no clear dividing line separating one class of press from another.³¹

Counsel for TKS maintained that press additions constitute a separate like product.³² Additions invariably are attached or integrated into the purchaser's existing large press. While an addition may permit significant improvements in a large press' output and quality, a newspaper cannot be printed on a mere addition. Standing alone, a press addition is useless and thus, according to TKS, must be considered as a discrete product, separate and apart from large newspaper printing presses. TKS indicated that the domestic industry for newspaper press additions is not being injured or threatened with injury by imports of such additions because there is a lack of direct competition and limited commercial substitutability in the press additions market. Press additions are not interchangeable with complete large newspaper presses, but Rockwell considers the market for large printing presses and press additions to be one and the same.

At the conference, TKS argued that the stock of pre-existing presses serves as an economic substitute for machines improved with updated new technology and capability. Press additions themselves serve as economic and technological substitutes for new, advanced complete presses.³³ Rockwell contends that this claim is not tenable given the fact that existing stock is not a substitute when innovations have been introduced that offer greater flexibility, better utilization, and operating

²⁷ Postconference brief of Wiley, Rein & Fielding, pt. II, p. 62.

²⁸ Postconference brief of Foley & Lardner, pp. 6 and 10.

²⁹ Conference transcript, p. 74.

³⁰ TKS is a Japanese manufacturer of large newspaper presses and additions. It concentrates in the U.S. market on selling press additions and reconfiguring existing presses with updated technology and capability. Such additions permit newspapers to achieve technology improvements on existing equipment without having to incur the great cost associated with the purchase of a new press. Press additions, given their limited size and application, range in price from \$2 to 3 million. Postconference brief of Foley & Lardner, p. 12.

³¹ Postconference brief of Foley & Lardner, p. 10.

³² Postconference brief of Foley & Lardner, p. 5.

³³ Conference transcript, pp. 228-230.

cost savings.³⁴ The trade-in value of old presses, according to Rockwell, is so much lower than the cost of new presses that the existing stock cannot possibly be treated as a reliable substitute. The only used presses available require a page 23-9/16 inches long, which increases costs substantially over modern machines that allow a page 22 to 22-3/4 inches long. In Rockwell's experience, most customers wait so long to buy expensive new presses that their old presses have become completely outmoded. Rockwell indicated that there is no market for this equipment.

Channels of Distribution

Large newspaper printing presses, press additions, and press components are sold directly to the end user, i.e., large metropolitan newspapers with high circulations and high page counts requiring presses capable of printing between 64 and 160 pages per day and more than 60,000 copies per hour.³⁵

Price

A normal large newspaper printing press sale ranges between \$10 and \$30 million while larger installations of multiple presses can run over \$100 million depending on the number of couples and printing units, RTPs, and folders.³⁶ Traditionally, flexographic presses were slightly less expensive to produce than offset presses because they used keyless inking systems, while offset printing units were keyed. With the introduction of keyless offset printing units, production cost differences should disappear.³⁷

INTERMEDIATE PRODUCTS

According to petitioner, large newspaper printing presses (including press additions) and large newspaper printing press components are part of the same like product because: (1) large newspaper printing press components are dedicated for use in large newspaper printing presses and there are no independent uses; (2) there is no separate market for large newspaper printing press components aside from the market for large newspaper printing presses and press additions; (3) the physical characteristics and functions of large newspaper printing press components are incorporated into large newspaper printing presses because the components are integral parts, or building blocks, of complete presses and press additions; and (4) the processes used to transform press components into finished presses are "routine."^{38 39}

³⁴ Postconference brief of Wiley, Rein & Fielding, pp. 22-23.

³⁵ Conference transcript, p. 70.

³⁶ Conference transcript, p. 24.

³⁷ Postconference brief of Wiley, Rein & Fielding, p. 59.

³⁸ Wiley, Rein & Felding postconference brief, pp. 10-11.

³⁹ Counsel for TKS made an argument for a separate like product for large newspaper printing press additions but did not make a separate like product argument for components of large newspaper printing presses and press additions, Foley & Lardner postconference brief, pp. 8-16.

THE U.S. MARKET

Apparent U.S. Consumption

The data on apparent U.S. consumption of large newspaper printing presses, press additions, and components thereof presented in table 1 are composed of U.S. producers' U.S. shipments reported in response to the Commission's producers' questionnaires plus shipments of U.S. imports reported in response to the Commission's importers' questionnaires.⁴⁰ No imports of complete large newspaper printing presses or press additions from countries other than Germany and Japan have been identified in these preliminary investigations; however, imports of some components have been reported from nonsubject countries.⁴¹ The data presented in the body of the report are, unless otherwise noted, for large newspaper printing presses and press additions.⁴² As previously noted, press components are used to make presses and press additions.

On the basis of the data presented in table 1, apparent consumption of large newspaper printing presses and components thereof, measured in value, ***. Apparent consumption *** during January-March 1995 when compared with consumption during January-March 1994. In addition to data for January 1991-March 1995, the Commission's questionnaires asked for projected data for calendar years 1995-97, but only partial or incomplete projections were received.

Table 1

Large newspaper printing presses, press additions, and components thereof: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

U.S. Producers

The petition lists two producers of large newspaper printing presses and components thereof, namely Rockwell and KBA-Motter Corp. (KBA-Motter).⁴³ Producers' questionnaires were sent to Rockwell and KBA-Motter and, in addition, were provided to counsel for MAN Roland and TKS (U.S.A.). Also, producers' questionnaires were sent to firms that produce "small" newspaper printing presses (i.e., newspaper printing presses capable of printing or otherwise manipulating a roll of paper not more than two newspaper pages across).⁴⁴ A list of the firms responding to the Commission's questionnaires on large newspaper printing presses and components thereof, their shares of the value of reported shipments in 1994, and the firms' positions with respect to the petition are presented in table 2.

⁴⁰ The petitioner in these investigations requested that the Commission collect data for a period beginning in 1991. Petition, vol. 1, pp. 18-19. The use of data beginning in 1991 is opposed by respondents. Conference transcript pp. 114, 121-129, and 148.

⁴¹ ***.

⁴² As previously noted, available data on components of large newspaper printing presses are reported separately in app. D. Press components are used to construct presses and press additions; therefore, care must be used in the treatment of press components to avoid double counting.

⁴³ Petition, vol. I, pp. 4 and 5.

⁴⁴ These firms are ***. As previously noted, data for small printing presses are presented in app. E.

Table 2

Large newspaper printing presses, press additions, and components thereof: U.S. producers, locations of corporate offices, share of value of reported total (domestic and export) shipments in 1994, and position on the petition

Firm	Firm location	Share of shipments <i>Percent</i>	Position on petition
Rockwell	Westmont, IL	***	Petitioner
Heidelberg Harris	Dover, NH	***	***
KBA-Motter	York, PA	***	Opposes
MAN Roland	Groton, CT	***	Opposes
TKS (U.S.A.)	Richardson, TX	***	Opposes
		100.0	

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

Rockwell Graphic Systems, the petitioner, is a wholly owned subsidiary of Rockwell International Corp., Seal Beach, CA, and produces large newspaper printing presses in Cedar Rapids, IA. ***.

Heidelberg Harris, Inc. (Heidelberg), Dover, NH, is a wholly owned subsidiary of Heidelberg North America, Inc. and is primarily a producer of small newspaper and commercial printing presses but reported production and shipments of large newspaper printing presses during January 1991-March 1995. KBA-Motter, York, PA, is owned *** by Koenig & Bauer-Albert A.G., Wuerzburg, Germany. Koenig & Bauer-Albert A.G. produces and exports large newspaper printing presses from Germany to the United States. MAN Roland, Inc. (MAN Roland), Groton, CT,⁴⁵ is owned by MAN Roland Druckmaschinen AG, Offenbach, Germany *** percent; MAN Antiengesellschaft, Munich, Germany *** percent; and MAN Futzfahrzeuge AG, Munich, Germany *** percent. MAN Roland Druckmaschinen AG is a German producer and exporter of large newspaper printing presses to the United States.

U.S. Importers

The petition identified four alleged importers of large newspaper printing presses and components thereof from Germany and Japan: KBA-Motter, York, PA; MAN Roland, North Stonington, CT; Mitsubishi Lithographic Presses (Mitsubishi), Lincolnshire, IL; and TKS (U.S.A.), Richardson, TX.⁴⁶ Responses to the Commission's importers' questionnaire were received from those four firms. Information provided by the U.S. Customs Service was used to try to identify other possible importers of subject merchandise but most of the *HTS* subheadings listed in the

⁴⁵ Counsel for petitioner, in letters dated July 24 and July 26, 1995, questioned MAN Roland's producer and importer questionnaire responses and status as a U.S. producer of large newspaper printing presses or components thereof. ***.

In a response dated July 26, counsel for MAN Roland states that it "stands behind the data that it supplied in its questionnaire responses." In an attempt to understand the positions of the opposing parties, the Commission reviewed information that it received from Customs relating to imports under the *HTS* subheadings listed in the petition. ***.

⁴⁶ Petition, vol. I, p. 22.

petition are "basket" classifications that include nonsubject merchandise and there are a large number of importers. Questionnaires were sent to about 15 large importers listed in the Customs files, but no additional responses were received from importers of large newspaper printing presses. TKS (U.S.A.) is a wholly owned subsidiary of Tokyo Kikai Seisakusho Ltd. (TKS), Tokyo, Japan. TKS (U.S.A.) produces computerized control systems for large newspaper printing presses in Richardson, TX. TKS produces complete large newspaper printing presses, press additions, and press components in Japan. In recent years, TKS' sales in the United States have been large newspaper press additions rather than complete press systems.⁴⁷

CONSIDERATION OF THE QUESTION OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury." Information on the other factors specified is presented in this section and (except as noted) is based on the questionnaire responses of five firms that are believed to have accounted for all U.S. production of large newspaper printing presses and components thereof during 1991-94.

U.S. Production, Capacity, and Capacity Utilization

U.S. production of, and capacity to produce, large newspaper printing presses is difficult to measure. The Commission's questionnaire asked that capacity be reported as the number of presses that could be produced in a period and the number of assembly hours available to produce large presses. Different producers tend to measure their capacity and production in different units, and frequently work on a press will extend over more than one time period. Thus, the capacity and production data received in response to the questionnaires is not always consistent from one producer to another and is, therefore, of limited utility. In these preliminary investigations, the number of presses and press additions, while far from perfect, was the most consistent unit for capacity and is used in table 3.

Table 3

Large newspaper printing presses and press additions: U.S. capacity, production, and capacity utilization, by firms, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

In recent years, Rockwell has closed and consolidated facilities that were used to produce large newspaper printing presses, thereby reducing capacity.⁴⁸ Further, some producers (including Rockwell) consider the production of new large newspaper printing presses and large newspaper printing press additions to be the same operation and do not maintain separate production and financial data for those activities. The Commission's questionnaire requested separate data for presses and press additions but, in some instances, only estimates could be provided separately for press additions. Similar problems arose with the Commission's attempt to collect separate data for

⁴⁷ Foley & Lardner postconference brief, pp. 5 and 6.

⁴⁸ Conference transcript, p. 34.

large newspaper printing press components. The questionnaires requested separate data for the components specified in the petition, but some firms were only able to provide partial or estimated data or, in some instances, no data at all for press components.

U.S. Producers' Shipments

Shipments by U.S. producers are presented in table 4. U.S. shipments, measured by value, of large newspaper printing presses, press additions, and components thereof ***. U.S. shipments during January-March 1995 *** compared with shipments during January-March 1994. Export shipments ***. Trends in this industry should be viewed with extreme caution because the shipment of only one or two presses can have a relatively large effect in any one year, and large newspaper printing presses and press additions can vary widely in value from one shipment to another.

Table 4

Large newspaper printing presses, press additions, and components thereof: U.S. producers' shipments, by types and by firms, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

U.S. Producers' Inventories

Large newspaper printing presses and large newspaper printing press additions are produced in response to bids for specific newspaper projects. Therefore, finished presses and press additions are not held in inventory but are shipped to the customers' site for installation as the various press components are completed. The size of large newspaper printing presses precludes shipment of a completed press.⁴⁹

Employment, Wages, and Total Compensation

As shown in table 5, the number of production and related workers producing large newspaper printing presses, press additions, and components thereof ***. Employment during January-March 1995 was *** than employment during January-March 1994. Hours worked and wages paid followed similar trends.

Rockwell reported that its production and related workers who produce large newspaper printing presses belong to the International Association of Machinists & Aerospace Workers, AFL-CIO, Harmony Lodge 831 and Progressive Lodge 126. KBA-Motter reported that its production and related workers belong to the United Steelworkers union.

Some U.S. producers of large newspaper printing presses reported reductions in employment during January 1991-March 1995. A summary of those reductions is presented in table 6. However, as shown in table 5, employment ***.

⁴⁹ Conference transcript, p. 15.

Table 5

Average number of production and related workers producing large newspaper printing presses, press additions, and components thereof, hours worked, wages and total compensation paid to such employees, and hourly wages, by firms, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table 6

Large newspaper printing presses, press additions, and components thereof: Reductions in employment by U.S. producers, Jan. 1991-Mar. 1995

* * * * *

Financial Experience of U.S. Producers

Four producers, Heidelberg Harris, KBA-Motter, MAN Roland, and Rockwell, accounting for all reported U.S. production of large newspaper printing presses in 1994, furnished financial data on their operations producing large newspaper printing presses. Rockwell and KBA-Motter included data on press additions operations with large newspaper printing press data. Two producers, Heidelberg Harris and TKS (U.S.A.), provided financial data on their components' operations. Rockwell could not supply such data on its components' operations separately. Only Rockwell furnished financial data on its press additions operations. Three producers, Heidelberg Harris, King Press, and Rockwell, provided financial data on their operations on small newspaper printing presses. Financial data on press additions, individual components, and small newspaper printing presses are presented in the summary tables in appendices A, D, and E, respectively.

The revenue and costs reported on long-term press projects can be recognized under two GAAP methods:⁵⁰ (1) the completed-contract method or (2) the percentage-of-completion method. Under the completed-contract method, no revenue is recognized until the period in which the project is completed or shipped. The costs incurred on the project are accumulated and are charged to expenses in the period in which the revenue is recognized. Under the percentage-of-completion method, revenue, costs, and net income are recognized periodically on the basis of the estimated stage of completion of the project. It should be noted that the estimate of the costs and/or net income may not necessarily correspond to the final costs and/or net income determined when the press is finally completed.

All producers except *** kept their records under the completed-contract method. The primary advantage of the completed-contract method is that it is based on final results rather than on estimates; the primary disadvantage is that it does not reflect the status of non-completed contracts (i.e., it does not periodically recognize current income but rather recognizes income irregularly as contracts are completed). ***. Hence, ***'s data are shown separately and are not included in the aggregate data.

Graphic Systems Segment Operations of Rockwell International Corp.

Rockwell's graphic systems segment consists of operations on high-speed printing presses and related graphic arts equipment. Operations on large newspaper printing presses are included in this

⁵⁰ Jan R. Williams, 1994 *Miller GAAP* (generally accepted accounting principles) *Guide*, p. 29.03.

segment. A summary of graphic systems segment sales and operating income for 1990 to 1994 is shown in the following tabulation (in millions of dollars, except as noted).⁵¹

<u>Year</u> ⁵²	<u>Net sales</u>	<u>Operating earnings</u> ⁵³	<u>Operating earnings as a share of net sales</u> <i>Percent</i>
1990	967	118.6	12.3
1991	962	121.0	12.6
1992	688	21.5	3.1
1993	632	14.8	2.3
1994	655	31.2	4.8

The following discussion on graphic systems operations is from Rockwell's Annual Reports.

1991 Annual Report

"Several new products were introduced in an aggressive development program to strengthen our leadership position in the global market for web offset presses.

Expertise in the design and development of vertical stacked press arrangements--applied to the Goss Colorliner, the most successful new product in the history of this business--was extended to other new presses.

MetroColor equipment is available as slip-in units, press additions, or complete new presses.

Higher 1991 earnings from the newspaper press business were offset by lower earnings resulting from the continuing severely depressed commercial press market."⁵⁴

1992 Annual Report

"Graphics earnings declined 96 percent and sales dropped 28 percent on a dramatic decline in the newspaper printing press market and continued severe depression in the market for commercial printing presses. These market declines were worldwide. Major restructuring actions will improve Graphics profitability in 1993."⁵⁵

1993 Annual Report

"Faced with a second year of continued worldwide recession in newspaper and commercial web offset printing press markets we completed a program to bring capacity in line with

⁵¹ 1994 Annual Report of Rockwell International, p. 23.

⁵² Fiscal year ended Sept. 30.

⁵³ Earnings of the graphic systems segment have been adjusted to include interest income related to customer financing receivables as follows (in millions): 1990, \$19.1; 1991, \$15.8; 1992, \$16.8; 1993, \$18.5; and 1994, \$11.0, as per 1994 Annual Report, p. 23. Before this adjustment, operating earnings were reported as follows (in millions): 1990, \$99.5; 1991, \$105.2; 1992, \$4.7; and 1993, \$(3.7), as per 1992 and 1993 Annual Reports, p. 6.

⁵⁴ Rockwell's 1991 Annual Report, pp. 14 and 24.

⁵⁵ Rockwell's 1992 Annual Report, p. 2.

market realities, while also maintaining or increasing market penetration and building backlog. We maintained our major share of the large newspaper press market in the Americas and strengthened our share in Europe. U.S. sales of commercial and small newspaper presses improved as did our share of the small newspaper press market in Europe.

Graphics had a small loss for the year due to a \$140 million, or 26 percent, decrease in newspaper printing press sales. It is expected that the improvement in Graphics sales and earnings which began in 1993's fourth quarter will continue in 1994.⁵⁶

1994 Annual Report

"We are the world's leading supplier of web offset printing presses for newspapers and the commercial printing of advertising inserts, catalogs, magazines, and books.

Some of these markets worldwide are beginning to demonstrate renewed strength following their worst recession in 50 years. In the United States increased expenditures for print advertising, demand for more color in newspapers, and the replacement cycle for printing equipment have contributed to an improved backlog of newspaper and commercial orders. The backlog of our U.S. factory orders for large newspaper presses at year-end reached the highest level since 1990. These factors, coupled with emphasis on greater productivity, resulted in improved financial performance by Rockwell Graphic Systems.

Graphic Systems - Earnings in 1994 more than doubled from 1993 due to improved profitability in all its product lines. Over the past several years this business has substantially lowered its cost structure and downsized its manufacturing capacity to reflect market realities."⁵⁷

Large Newspaper Printing Press Operations

The income-and-loss data for large newspaper printing press operations, by firms, are presented in table 7. Rockwell and KBA-Motter included data on press additions operations with large newspaper printing press data.

Table 7

Income-and-loss experience of U.S. producers on their operations producing large newspaper printing presses, by firms, fiscal years 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Per-unit values for large newspaper printing presses and press additions vary considerably and are not presented in the table. ***.⁵⁸ Operating income margins ***.

Rockwell submitted projected income-and-loss data on its presses in-process and for the orders that it has already received for full year 1995 and 1996. These projections are prepared on a

⁵⁶ Rockwell's 1993 Annual Report, pp. 12 and 17.

⁵⁷ Rockwell's 1994 Annual Report, pp. 19 and 24.

⁵⁸ ***.

*** method and are shown in table 8. Projected net sales ***. Projected operating income margins
 ***. ***.⁵⁹

Table 8

Projected income-and-loss experience of Rockwell on its operations producing large newspaper printing presses, fiscal years 1995-97

* * * * *

In view of the long-term construction period for many of the large newspaper printing presses, the Commission requested actual revenue, cost of goods sold, and gross profit or loss for each press project completed or in-process that was contracted during the stated period. For press projects that are currently in-process, revenue is based on the contract value and costs are estimated.

The revenues, cost of goods sold, and gross profit or loss for the completed presses and presses in-process were aggregated by firm based on two dates: (1) the year in which the contract for the large newspaper printing press was executed (table 9), and (2) the year in which the last phase of the large newspaper printing press was delivered to the customer (table 10). Tables 9 and 10 show total sales (i.e., domestic and export sales combined), whereas appendix tables F-1 and F-3 present only domestic sales and tables F-2 and F-4 show only export sales. Data in table 9 reflect bidding conditions, while data in table 10 show the gross profit experience using the completed-contract method of accounting for long-term contracts.

*** reported only the value of equipment as revenue for each press project and did not include installation and shipping fees for the equipment. ***.

Table 9

Gross profit-and-loss experience of U.S. producers on their operations producing large newspaper printing presses, classified by contract date, by firms, calendar years 1991-95

* * * * *

Table 10

Gross profit-and-loss experience of U.S. producers on their operations producing large newspaper printing presses, classified by delivery date, by firms, calendar years 1991-96

* * * * *

As shown in the data classified by contract date in table 9, ***.

As shown in the data classified by delivery date in table 10, ***.

Investment in Productive Facilities

The value of property, plant, and equipment for Rockwell is shown in table 11. The return on book value of fixed assets and the return on total assets are also presented in table 11. All reporting firms, except ***, could not allocate their fixed assets to large newspaper printing press operations because equipment was used for making all establishment products as needed. Further,

⁵⁹ ***.

Table 11

Value of assets and return on assets of Rockwell on its large newspaper printing press operations, fiscal years 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

the use of equipment for large newspaper printing presses was irregular as based on the customer orders in each year.

The value of fixed assets and total assets employed in production of all products of the establishments wherein large newspaper printing presses and press additions are produced, by firm, are presented in the following tabulation (in thousands of dollars):

* * * * *

Capital Expenditures

Capital expenditures on all establishment products and on large newspaper printing press operations, by firms, are presented in table 12. ***.

Table 12

Capital expenditures by and research and development expenses of U.S. producers of large newspaper printing presses, by products and by firms, fiscal years 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Research and Development Expenses

Research and development (R&D) expenses on all establishment products and on large newspaper printing press operations, by firms, are also presented in table 12. ***.

Capital and Investment

The Commission requested U.S. producers to describe and explain the actual and potential negative effects of imports of large newspaper printing presses and their components, whether assembled or unassembled, from Germany and Japan on their growth, investment, ability to raise capital, or existing development and production efforts (including efforts to develop a derivative or improved version of the product). The Commission also asked U.S. producers to report the influence of such imports on their scale of capital investments undertaken, and the immediate and long-term effects of lost sales and price reductions due to import competition on their cash flow, production scheduling, revenue, employment, and cost structure.

Further, the Commission requested U.S. producers to describe cost reductions on production of multiple presses of a similar design, effects of customers' use of technology on producers' ability to design, build, and install large newspaper printing presses, producers' R&D driven by individual customer order, and influence of major capital expenditures on producers' capacity to produce large newspaper printing presses. The producers' responses are presented in appendix G.

CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise 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 is presented in appendix G. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

U.S. Inventories of Large Newspaper Printing Presses and Components Thereof From Germany and Japan

As previously noted in the section on U.S. producers' inventories, large newspaper printing presses and press additions are shipped to newspaper customers as produced, and finished presses are not held in inventory.

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

Each counsel for producers of large newspaper printing presses and components thereof in Germany and Japan was requested to provide data on their client's capacity, production, shipments, and inventories of large newspaper printing presses, press additions, and components thereof based on quantity measured in units and value in U.S. dollars. Data on capacity and production measured in assembly hours were also requested. Finished large newspaper printing presses and press additions were not inventoried in either Germany or Japan. Further, data for assembly hours turned out to be unusable as did units and data on components. Thus, in these preliminary investigations, the only consistent measure of activity was value of shipments. If these investigations proceed to final investigations, all parties will be requested to provide suggestions for ways to measure capacity and production that would be applicable to any country.

The Industry in Germany

Data were received from the KBA Group and MAN Roland in Germany and are presented in table 13.

Table 13

Large newspaper printing presses and press additions: Germany's shipments, 1991-94, Jan.-Mar. 1994, Jan.-Mar. 1995, and projected 1995-97

* * * * *

The Industry in Japan

Data were received from Mitsubishi and TKS in Japan and are presented in table 14. Data for Germany and Japan combined are presented in table 15.

Table 14

Large newspaper printing presses and press additions: Japan's shipments, 1991-94, Jan.-Mar. 1994, Jan.-Mar. 1995, and projected 1995-97

* * * * *

Table 15

Large newspaper printing presses and press additions: Subject sources' shipments, 1991-94, Jan.-Mar. 1994, Jan.-Mar. 1995, and projected 1995-97

* * * * *

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

U.S. Imports

U.S. imports of large newspaper printing presses, press additions, and components thereof are presented in table 16.

Table 16

Large newspaper printing presses, press additions, and components thereof: U.S. imports, by sources, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Market Penetration by the Subject Imports

Market penetration, based on value, by U.S. imports is shown in table 17 for large newspaper printing presses, press additions, and components thereof. Shipments of large newspaper printing presses and press additions tended to be very sporadic during January 1991-March 1995. In 1994, market penetration (based on value) by large printing presses, press additions, and components thereof was *** percent for Germany and *** percent for Japan.

Table 17

Large newspaper printing presses, press additions, and components thereof: Apparent U.S. consumption and market penetration, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Prices

Marketing Considerations

The market for large newspaper printing presses can be broadly described as consisting of three types of sales: add-on sales, slip-in sales, and new press line sales. Add-on sales typically involve the addition of printing units and/or other components for the purpose of upgrading an

existing press line (e.g., adding color printing capabilities or expanding capacity).⁶⁰ Slip-in sales involve the sale of replacement components to be integrated into an existing superstructure while new press line sales involve a completely new product. Due to compatibility concerns, add-on sales are by and large non-competitive; the final contract price is negotiated between the newspaper and the manufacturer of the existing press. Slip-in and new press line sales, however, tend to involve a highly competitive bid/negotiation procedure.

Most large newspaper printing presses are sold through a closed bid procedure, although firms usually know who their competitors are. Purchasers initiate the process by formulating a plan covering technical specifications and economic considerations. Purchasers typically work closely with one or more manufacturers concerning design aspects, information on the available equipment, and evaluating whether certain configurations will fit into existing buildings. This plan serves as the basis for the request for quotation (RFQ) issued by purchasers to approved large newspaper printing press manufacturers. The RFQ generally contains the project description, procedures to be used in bidding, contract terms and conditions, and technical specifications and requirements.

Manufacturers determine their bids on the basis of estimated production costs, anticipated profit, transportation and installation costs, and, in the case of foreign bids, changes in exchange rates. Because RFQs contain precise specifications that vary widely from project to project, each large newspaper printing press is engineered to order, and estimated costs depend upon the specifications contained in any one RFQ. In this sense, each RFQ describes a unique, custom-built product. In addition, there can be substantial differences in the technology and design of manufacturers' proposals for any particular RFQ.

The purchaser reviews the initial bids of participating manufacturers and may reject unacceptable bids or require certain manufacturers to submit new bids. After the initial bid submissions, purchasers will begin negotiations with one or more manufacturers. Although the bidding/negotiation process is formally closed, the purchaser will often discuss informally the bid price, terms, and specifications among the various bidding manufacturers. Purchasers will often attempt to get a better deal by asking manufacturers to drop their prices or adjust payment terms, or add additional equipment, more expensive equipment, or additional service without raising the price. This process can take several months as purchasers try to decide which package offers the best value on the basis of price, specifications, reputation, and service-related aspects. Information supplied by purchasers indicates that the primary factors considered in the purchase decision include technology, efficiency, quality, price, and service. Price is often of secondary or even tertiary importance after technology and/or quality. Nonetheless, given a particular specification and level of quality, the final installed price to the customer will be a significant deciding factor.

Negotiations conclude with the award of a sales contract. Delivery and payment terms vary widely from contract to contract and can last from 1 to 3 years. Payment terms usually include a down-payment of 10-20 percent of the contract price, 50-70 percent of the contract price during production, 5-15 percent of the contract price at installation, and 5-10 percent at acceptance by the purchaser (acceptable operation).

Bid Competition for Sales to Domestic Purchasers

Domestic producers and importers were requested to report in their questionnaire responses the details of bid competition for large newspaper printing presses. In addition, information from a limited number of domestic purchasers (newspapers) was requested. The following five producers and/or importers that sold large newspaper printing presses during January 1991-June 1995 provided information on bids for sales to domestic newspaper companies: Rockwell, the petitioner; MAN

⁶⁰ This additional equipment does not replace any existing units or components.

Roland Druckmaschinen AG (MAN Roland-AG), a producer in Germany, and MAN Roland, its U.S. subsidiary and a U.S. producer and importer of subject merchandise from Germany; KBA-Motter, a U.S. producer and importer of subject merchandise from Germany; MLP U.S.A. Inc. (MLP), a U.S. importer of subject merchandise from Japan; and TKS (USA), a U.S. importer of subject merchandise from Japan.⁶¹ Petitioner disputes claims by MAN Roland and KBA-Motter that they are domestic producers. However, both have certified that they are domestic producers as well as importers of the subject merchandise from Germany, and the following discussion will proceed on this basis.

Details for all RFQs on large newspaper printing presses for delivery during 1991 or later were provided. A total of 80 RFQs were reported, of which 64 resulted in a sales contract, 8 are still pending, and 8 were discontinued by the purchaser. Of the 64 RFQs that resulted in a sales contract, 13 occurred before 1991 but were not shipped until 1991 or later. Only the 51 RFQs that resulted in a sales contract during January 1991-June 1995 are presented in the data below.⁶² Details of bid information for each of the 51 RFQs that resulted in a sales contract during January 1991-June 1995 are provided in table 18, along with a summary by firm of aggregate annual sales, annual shares of total value, and import shares. Since RFQs vary widely concerning the elapsed time from sale to final installation, the sales year was deemed to be the most appropriate basis for grouping data. Similarly, since RFQs vary widely in terms of specifications, only the reported value of contracts is presented. Note that bids reported by MLP, TKS (USA), MAN Roland, and KBA-Motter are installed prices to the purchaser. Some bids reported by Rockwell were on an installed price basis while others were on an f.o.b. price basis. Since installation can amount to a significant portion of a contract (from *** to *** percent), installed prices are the most appropriate for purposes of comparison.

Table 18

Large newspaper printing presses: Bid price information by bidding firm and purchaser and market shares by bidding firm for contracts awarded during 1991-94 and Jan.-June 1995

* * * * *

The aggregate data presented in table 18 illustrate the recession experienced by this industry during 1991-92. Of the 13 sales noted above that were reported as occurring prior to 1991 for delivery in 1991 or later, 8 sales totalling approximately \$*** million occurred during 1990. Since some sales could have been made and delivered during 1990, this figure represents a minimum for the total value of sales during 1990. Hence, the market for large newspaper printing presses experienced a decline in sales volume of at least *** percent (\$*** million decline) from 1990 to 1991. The market seems to have recovered from the low in 1991, but, as detailed in their questionnaire responses, manufacturers do not expect any surges in demand in the near future. Respondents have argued that 1991 marked the end of a 3-year surge in sales that began in 1989 owing to the success of new technology introduced by Rockwell (i.e., the four-high tower design) and a desire for color printing. Further, respondents argue that the recent decline in the share of total sales captured by Rockwell is simply a return to the market structure that prevailed prior to the

⁶¹ KBA-Motter is a subsidiary of and imports merchandise produced by Koenig and Bauer-Albert AG. MLP is a subsidiary of and imports merchandise produced by Mitsubishi Heavy Industries, Ltd. TKS (USA) is a subsidiary of and imports merchandise produced by Tokyo Kikai Seisakusho, Ltd.

⁶² ***.

1989-91 period. In effect, respondents argue that Rockwell's competitors are now beginning to recoup the advantage won by Rockwell's tower technology.⁶³

The data in table 18 also suggest a trend increase in import share.⁶⁴ Although the share of imports seems to be somewhat erratic--increasing from *** percent in 1991 to *** percent in 1992, decreasing in 1993 to *** percent, and increasing in 1994 and the first half of 1995 to *** percent and *** percent, respectively--a trend increase in import share is especially evident when a 3-year moving average is considered.⁶⁵ Over the 1991-93 period imports averaged *** percent of total sales. Over the 1992-94 period this share increased to *** percent of sales, and for the period 1993 through June 1, 1995, imports increased to approximately *** percent of total sales.

The detailed data in table 18 illustrate the competition among suppliers. Some care must be taken in comparing bid prices since, as noted above, Rockwell reported a mix of installed and f.o.b. prices while MLP, TKS (USA), MAN Roland, and KBA-Motter reported installed prices. In addition, differences in the products of competing firms also make price comparisons difficult. Of the 51 sales reported in table 18, 33 involved competition between two or more suppliers.⁶⁶ The 18 non-competitive contracts represented approximately 25 percent (\$***) of the total value of reported sales. Of the 18 non-competitive sales, *** contracts representing more than *** percent of the value of such sales were awarded to Rockwell, while ***. The point that price, though important, is not always the deciding factor is indicated by the fact that in 12 of the 31 competitive sales, the low bidder was not awarded the contract.

Lost Revenue and Lost Sales⁶⁷

The bidding details of sales occurring from January 1991 through June 1995 claimed by petitioner to have resulted in lost revenues due to competition from subject imports are reported in table 19 (all of these sales were awarded to petitioner). In addition to the sales reported in table 19, petitioner claims lost revenue on the following sales: ***.

The data in table 19 indicate that on initial and final bids there were a total of 21 cases where competing bids were reported, 12 of which involved overbidding vis-a-vis Rockwell and 9 of which involved underbidding vis-a-vis Rockwell. The degree of overbidding ranged from 3.0 to 455.6 percent over the Rockwell bid. It should be noted, however, that the case of the *** involved significantly different specifications and the bid prices are, hence, not directly comparable. The degree of underbidding ranged from 0.4 to 29.3 percent under the Rockwell bid. Comparing the initial and final bids reported in table 19 indicates that final bids by Rockwell were between *** than its initial bids (approximately *** on average). Where comparable, final bids by competing firms were, on average, approximately *** than initial bids. ***.⁶⁸

⁶³ See Joint brief submitted by Mitsubishi Heavy Industries, Ltd., and other respondents, at 18-21.

⁶⁴ The values reported for imports do not include sales that KBA-Motter and MAN Roland claim are domestically produced. Petitioner disputes these claims.

⁶⁵ The 3-year moving average serves to even noise in the annual data that is due to the large-discrete purchase characteristic of the market for large newspaper printing presses.

⁶⁶ Of the 51 sales reported in table 18, 24 were add-on sales, 22 were new press line sales, and 5 were slip-in sales. Of the 24 add-on sales, 15 were non-competitive, while 2 of the 22 new press-line sales were non-competitive and 1 of the 5 slip-in sales was non-competitive. The value of add-on sales accounted for approximately 27 percent of the total value of the 51 reported sales. New press line and slip-in sales accounted for approximately 66 percent and 6 percent of the total value of sales, respectively.

⁶⁷ ***.

⁶⁸ Purchaser's response to U.S. International Trade Commission inquiry.

Table 19

Large newspaper printing presses: Lost revenue allegations reported by Rockwell, initial and final bid prices, and percent under/(over) bidding by competing firms vis-a-vis Rockwell

* * * * *

The bidding details of sales occurring from January 1991 through June 1995 claimed by petitioner to have resulted in lost sales due to competition from subject imports are reported in table 20. In addition to the sales reported in table 20, petitioner claims ***.

Table 20

Large newspaper printing presses: Lost sale allegations reported by Rockwell, initial and final bid prices, and percent under/(over) bidding by competing firms vis-a-vis Rockwell

* * * * *

The data in table 20 indicate that on initial and final bids there were a total of 48 cases where competing bids were reported, 31 of which involved underbidding vis-a-vis Rockwell and 17 of which involved overbidding vis-a-vis Rockwell. The degree of underbidding ranged from 0.3 to 40.4 percent under the Rockwell bid. The degree of overbidding ranged from 0.5 to 60.0 percent over the Rockwell bid. ***.⁶⁹ ***.⁷⁰

Exchange Rates

Quarterly data reported by the International Monetary Fund and compiled in table 21 indicate that the currencies of the two countries subject to these investigations fluctuated in relation to the U.S. dollar during the period from January-March 1991 through April-May 1995. The value of the German mark fluctuated over the period, ending with a net appreciation of 8.7 percent in nominal terms. The Japanese yen fluctuated somewhat at the beginning of the period (1991) but beginning in April-June 1992 it began a steady appreciation against the U.S. dollar, ending the period with a net 57.3-percent nominal appreciation. When adjusted for relative movements in the producer price indices in the United States and the specified countries, the real value of the German mark appreciated by 7.2 percent and the real value of the Japanese yen appreciated by 34.0 percent during the period for which data were collected. This implies that if German and Japanese producers wish to maintain a constant real value of their products as measured by their respective currencies, the dollar price of German products would need to increase by approximately 7.2 percent and the dollar price of Japanese products would need to increase by approximately 34 percent. Care must be taken in interpreting these price adjustments since they are approximations based on economy-wide inflation rates as opposed to industry-specific changes in the cost of productive inputs.

⁶⁹ ***.

⁷⁰ For detailed descriptions of the Washington Post sale, see the Washington Post post conference brief and the attachment to petitioner's post conference brief, vol. II, pt. 1, and exh. C.

Table 21

Exchange rates:¹ Indexes of the nominal and real exchange rates between the United States dollar, the German D-mark, and the Japanese yen, and indices of producer prices² in Germany, Japan, and the United States, by quarters, Jan. 1991-May 1995

Period	U.S. producer price index	Germany		Japan		Producer price index	Real exchange rate index
		Nominal exchange rate index	Producer price index	Real exchange rate index	Nominal exchange rate index		
1991:							
Jan.-Mar.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June.....	99.0	88.2	100.8	89.8	96.8	99.6	97.4
July-Sept.....	98.8	87.8	101.9	90.5	97.6	99.3	98.1
Oct.-Dec.....	99.0	94.0	102.0	96.8	103.4	98.6	102.9
1992:							
Jan.-Mar.....	98.7	94.5	102.1	97.7	104.2	98.2	103.7
Apr.-June.....	99.8	94.8	102.8	97.6	102.7	98.2	101.1
July-Sept.....	100.3	104.6	102.9	107.3	107.2	98.1	104.8
Oct.-Dec.....	100.4	98.8	102.5	100.8	108.8	96.9	105.1
1993:							
Jan.-Mar.....	100.8	93.6	102.6	95.3	110.6	95.7	105.1
Apr.-June.....	101.8	94.6	102.6	95.3	121.6	94.4	112.9
July-Sept.....	101.3	91.2	102.5	92.3	126.8	93.6	117.1
Oct.-Dec.....	101.2	91.0	102.3	91.9	123.8	93.1	113.7
1994:							
Jan.-Mar.....	101.7	88.8	102.8	89.7	124.4	92.9	113.6
Apr.-June.....	102.3	92.1	103.0	92.7	129.5	92.3	116.9
July-Sept.....	103.0	98.0	103.3	98.3	135.1	92.2	121.0
Oct.-Dec.....	103.4	99.2	103.8	99.6	135.4	92.0	120.5
1995:							
Jan.-Mar.....	105.0	103.4	104.5	102.9	139.1	92.0	121.7
Apr.-May.....	106.4	108.7	104.9	107.2	157.3	90.7	134.0

¹ Exchange rates are expressed in U.S. dollars per unit of foreign currency. The indexed real exchange rate represents the nominal exchange rate adjusted for relative movements in producer price indices between the United States and Germany, and between the United States and Japan. Producer prices in the United States increased 6.4 percent between January 1991 and May 1995 compared with a 4.9-percent increase in Germany and a 9.3-percent decrease in Japan during the same period.

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

Note.--Jan.-Mar. 1991 = 100.

Source: International Monetary Fund, *International Financial Statistics*, July 1994 and July 1995.

APPENDIX A

SUMMARY TABLES

Table A-1 presents data on large newspaper printing presses, press additions, and components thereof, with data for KBA-Motter, TKS (U.S.A.), and MAN Roland removed from U.S. Producers data for consideration of "related party" issues.

Table A-2 presents data on large newspaper printing presses, press additions, and components thereof, with data for MAN Roland removed from U.S. Producers data because of deficiencies in MAN Roland's questionnaire response.

Table A-3 presents data on large newspaper printing presses and press additions, with data for KBA-Motter and MAN Roland removed from U.S. Producers data for consideration of "related party" issues. The difference between tables A-1 and A-3 is the production in the United States of components for large newspaper printing presses by ***.

Table A-4 presents data on large newspaper printing presses and press additions, with data for MAN Roland removed from U.S. Producers data because of deficiencies in MAN Roland's questionnaire response. The difference between tables A-2 and A-4 is the production in the United States of components for large newspaper printing presses by ***.

Table A-5 presents data on large newspaper printing press additions. These data were requested in the Commission's questionnaires on the premise that there might be fundamental differences between presses and press additions. While there is nothing wrong with the premise, ***. Therefore, the data in tables A-1 through A-4 are more reliable than the data in table A-5.

Table A-6 presents data on large newspaper printing presses, press additions, and components thereof, with data for TKS (U.S.A.) removed from U.S. Producers data for consideration of "related party" issues, and data for MAN Roland removed from U.S. Producers data because of deficiencies in MAN Roland's questionnaire response.

Table A-1

Large newspaper printing presses, press additions, and components thereof: Summary data concerning the U.S. market (with "producer" data for all firms excluding KBA-Motter, TKS (U.S.A.), and MAN Roland), 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table A-2

Large newspaper printing presses, press additions, and components thereof: Summary data concerning the U.S. market (with "producer" data for all firms excluding MAN Roland), 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table A-3

Large newspaper printing presses and press additions: Summary data concerning the U.S. market (with "producer" data for all firms excluding KBA-Motter and MAN Roland), 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table A-4

Large newspaper printing presses and press additions: Summary data concerning the U.S. market (with "producer" data for all firms excluding MAN Roland), 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table A-5

Large newspaper printing press additions: Summary data concerning the U.S. market, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table A-6

Large newspaper printing presses, press additions, and components thereof: Summary data concerning the U.S. market (with "producer" data for all firms excluding TKS (U.S.A.) and MAN Roland), 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

APPENDIX B
FEDERAL REGISTER NOTICES

Investigations Nos. 731-TA-736 and 737 (Preliminary)]

Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, From Germany and Japan

AGENCY: United States 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-736 and 737 (Preliminary) under section 733(e) of the Tariff Act of 1930, as amended by section 212(b) of the Uruguay Round Agreements Act (URAA), Public Law 103-465, 108 Stat. 4809 (1994) (19 U.S.C. 1673b(e)) 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 Germany and Japan of large newspaper printing presses and components thereof, whether assembled or unassembled, provided for in subheadings 8443.11.10, 8443.11.50, 8443.30.00, 8443.60.00, and 8443.90.50 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for institution pursuant to section 732(c)(1)(B), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by August 14, 1995. The Commission's views are due at the Department of Commerce within 5 business days thereafter, or by August 21, 1995.

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: June 30, 1995.

FOR FURTHER INFORMATION CONTACT: Tedford Briggs (202-205-3181), 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.1).

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on June 30, 1995, by Rockwell Graphic Systems, Inc., Westmont, IL.

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 sections 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 Services List

Pursuant to section 207.7(e) 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 July 21, 1995, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Tedford Briggs (202-205-3181) not later than July 19, 1995, 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 sections 201.6 and 207.15 of the Commission's rules, any person may submit to the Commission on or before July 26, 1995, 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 sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with sections 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, as amended by the URAA. This notice is published pursuant to section 207.12 of the Commission's rules.

Issued: July 3, 1995.

By order of the Commission.

Diana E. Koshalek,

Secretary.

[FR Doc. 95-10802 Filed 7-7-95; 8:45 am]
BULLDO CODE 700-40-9

[A-428-821, A-588-837]

Initiation of Antidumping Duty Investigations: Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, From Germany and Japan

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

EFFECTIVE DATE: July 27, 1995.

FOR FURTHER INFORMATION CONTACT: Bill Crow or James Maeder, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 482-0116 and 482-3330, respectively.

Initiation of Investigations

The Applicable Statute

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA).

The Petitions

On June 30, 1995, we received petitions filed in proper form by Rockwell Graphic Systems, Inc. and its parent company, Rockwell International Corporation (the petitioner). Supplements to the petitions were received on July 17 and 19, 1995. In accordance with section 732(b) of the Act, the petitioner alleges that large newspaper printing presses from Germany and Japan are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of section 731 of the Act, and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

The petitioner has stated that it has standing to file these petitions because it is an interested party, as defined under section 771(9)(C) of the Act. The petitioner also states that it has filed the petitions on behalf of the U.S. industry producing the product that is subject to this investigation.

Determination of Industry Support for the Petitioner

Section 732(c)(4)(A) of the Act requires the Department to determine, prior to the initiation of an investigation, that a minimum percentage of the domestic industry supports an antidumping petition. A petition meets these minimum requirements if (1) the domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like product; and (2) the domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. For purposes of our analyses, we accept the definition of the domestic like product as defined in the petitions.

A review of the production data provided in the petitions indicates that the petitioner accounts for more than 25 percent of the total production of the domestic like product and for more than 50 percent of that produced by companies expressing support for, or opposition to, the petitions. The Department received no expressions of opposition to the petitions by domestic producers of the domestic like product. However, on July 17, 1995, Mitsubishi Heavy Industries, Ltd. (MHI) submitted on the Japanese record a challenge to the petitioner's claim that the petition was filed on behalf of the domestic industry with respect to newspaper press components, alleging that petitioner lacks standing because it does not produce all components (e.g., folders), subcomponents and parts (e.g., reel stands, paper guides, screws, etc.) of the subject merchandise. Also, on July 18, 1995, MAN Roland, Inc. (MAN Roland) submitted in connection with the German petition a challenge to the petitioner's claim that the petition was filed on behalf of the domestic industry with respect to newspaper press components.

The petitioner filed a response to both challenges on July 19, 1995. In addition, in an ex-parte meeting with Department officials, the petitioner clarified certain elements of the scope language submitted in the original petitions. With respect to the arguments concerning parts manufacturing, we have found MHI's and MAN Roland's challenges to be unsubstantiated. Rockwell is a producer of all five of the named newspaper press components designated as within the scope of these investigations as it attested to in its July 19 affidavit.

With respect to the argument that the petitioner does not produce subcomponents and parts, we note that the subject merchandise defined in the scope section of this notice clarifies that the domestic like product identified in the petition is limited to large newspaper printing press systems, press additions, and the five named major press system components. The subcomponents and parts identified by MHI are not included in the definition of the domestic like product accepted by the Department. As such, there is no issue with respect to domestic producers of printing press subcomponents or parts.

MAN Roland also argued that the petitioner does not manufacture presses using flexographic printing technology and, therefore, has not presented evidence of sufficient industry support. Based on the petitioner's attestation, MAN Roland is incorrect. The petitioner has produced and sold, and remains capable of producing and selling, large newspaper printing presses using flexographic printing technology, as discussed in its July 19 and 20, 1995, submissions.

Therefore, the Department determines that both the German and the Japanese petitions are filed on behalf of the domestic producers of large newspaper printing presses, and the five named components designated in the petitions.

Scope of Investigations

The products covered by these investigations are large newspaper printing presses, including press systems, press additions and press components, whether assembled or unassembled, that are capable of printing or otherwise manipulating a roll of paper more than two pages across. A page is defined as a newspaper broadsheet page in which the lines of type are printed perpendicular to the running of the direction of the paper or a newspaper tabloid page with lines of type parallel to the running of the direction of the paper.

In addition to complete systems, the scope of these investigations includes the five press system components. They are:

- (1) A printing unit, which is any component that prints in monochrome, spot color and/or process (full) color, or a printing-unit cylinder;
- (2) A reel tension paster (RTP), which is any component that feeds a roll of paper more than two newspaper broadsheet pages in width into a subject printing unit;
- (3) A folder, which is a module or combination of modules capable of cutting, folding, and/or delivering the

paper from a roll or rolls of newspaper broadsheet paper more than two pages in width into a newspaper format;

(4) Conveyance and access apparatus capable of manipulating a roll of paper more than two newspaper broadsheet pages across through the production process and which provides structural support and access; and

(5) A computerized control system, which is any computer equipment and/or software *designed specifically* to control, monitor, adjust, and coordinate the functions and operations of large newspaper printing presses or press components.

A press addition is comprised of a union of one or more of the press components defined above and the equipment necessary to integrate such components into an existing press system.

Because of their size, large newspaper printing press systems, press additions, and press components are typically shipped either partially assembled or unassembled. Any of the five components, or collection of components, the use of which is to fulfill a contract for large newspaper printing press systems, press additions, or press components, regardless of degree of disassembly and/or degree of combination with non-subject elements before or after importation, is included in the scope of this investigation. This scope does not cover spare or replacement parts. Further, these investigations cover all current and future printing technologies capable of printing newspapers, including, but not limited to lithographic (offset or direct), flexographic, and letterpress systems.

The products covered by these investigations are imported into the United States under subheadings 8443.11.10, 8443.11.50, 8443.30.00, 8443.60.00, and 8443.90.50 of the HTSUS. Large newspaper printing presses may also enter under HTSUS subheadings 8443.21.00 and 8443.40.00. Large newspaper printing press computerized control systems may enter under HTSUS subheadings 8471.91.00, 8524.21.00, 8524.90.00, and 8537.10.00. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of these investigations is dispositive.

Export Price and Normal Value Germany

The petitioner based gross export price on detailed pricing information on a sale to a customer in the United States obtained by the bidding process for newspaper press sales. The petitioner

deducted from a delivered price a certain proprietary allowance, installation costs, training expenses, and movement charges, including foreign inland freight, foreign port and loading charges, ocean freight, marine insurance, U.S. wharfage expenses, U.S. port and loading costs, U.S. duty, and U.S. inland freight expenses.

According to the petitioner, the German home market is viable. However, contending that large newspaper printing presses sold in Germany differ substantially from those sold in the United States, the petitioner was unable to provide information for sales of identical or similar large newspaper printing presses sold in both markets. Accordingly, the petitioner based normal value on constructed value (CV).

CV includes the cost of manufacturing (COM), selling, general and administrative expenses (SGA), interest expense, U.S. packing and profit. For COM, the petitioner estimated overhead production factors and material requirements based on its own bid proposal cost of production model for the U.S. sale used in its allegation. The petitioner valued labor and overhead (excluding depreciation) using publicly available data for Germany. Where German market specific costs were unavailable, the petitioner relied on its own experience. Major component parts were valued using price quotes received from a German supplier where available. Because petitioner was unable to obtain German prices for the remaining material parts, it relied on its own experience as a reasonable surrogate. Therefore, the petitioner used Rockwell Graphic Systems' actual price paid to a U.S. supplier to value all the remaining material parts.

As part of COM, the petitioner included an amount for depreciation expense computed from MAN Roland's 1994 financial statements. As noted above, however, the petitioner based the materials costs on supplier price quotes which would reasonably recover the suppliers' costs, including costs relating to manufacturing depreciation. Since MAN Roland produces its own component parts, a significant amount of the depreciation expense reflected in its financial statements relates to machinery and equipment used to manufacture these component parts. Therefore, we believe the COM in the petition double counts depreciation expense for component parts. We could not identify the amount of depreciation expense directly related to manufacturing the component parts. In order to avoid overstating costs, we

excluded all reported depreciation expense from the CV calculation.

Although petitioner had obtained a copy of MAN Roland's 1994 financial statements, it was unable to use the information presented to compute SGA expense for CV due to the format of the company's income statement. Moreover, the petitioner was unable to obtain from other sources the German market SGA data for the printing machinery and equipment industry, and documented its unsuccessful attempts to collect this information. As an alternative source for SGA expense, the petitioner calculated an SGA rate specific to large newspaper printing presses based on its own experience. The Department normally relies on home market specific information where reasonably available. In this instance, however, having made a reasonable effort to collect this data, the petitioner was unable to do so. We therefore have relied on the petitioner's own SGA information for CV.

The petitioner calculated interest expense based on MAN Roland's 1994 unconsolidated financial statements rather than using the 1994 MAN consolidated financial statements. The Department normally computes interest expense on a consolidated basis. MAN's 1994 consolidated financial statements indicate that short-term interest income exceeded interest expense. Therefore, we included no interest expense in CV. For U.S. packing, the petitioner calculated MAN Roland's cost based on its own experience.

The petitioner contends that MAN Roland's lack of profit, as reported in its audited financial statements, does not constitute a reasonable profit under the statute. Thus, the petitioner calculated profit based on the financial results for six other MAN companies which manufactured marine engines, automotive parts, space systems, and heavy industrial equipment. Section 773(e)(2) of the Act provides that CV include a reasonable amount for profit earned by the exporter or producer of the merchandise under investigation. The Department therefore recalculated CV using a profit figure of zero based on the results shown in MAN Roland's 1994 financial statements.

Based on the Department's modifications to the petitioner's methodology, the estimated dumping margin is 46.40 percent.

Japan

The petitioner based gross export price on detailed pricing information on two sales to customers in the United States obtained by the bidding process for newspaper press sales. The petitioner deducted from delivered

prices installations costs, training expenses and movement charges including foreign inland freight, foreign port and loading charges, ocean freight, marine insurance, U.S. duty, U.S. wharfage charges, U.S. port and unloading fees and U.S. inland freight. For one sale, the petitioner deducted the cost of a certain proprietary allowance; from the second sale, the petitioner deducted the expenses incurred for advance press and support services.

According to the petitioner, the Japanese home market is viable. However, contending that large newspaper printing presses sold in Japan differ substantially from those sold in the United States, the petitioner was unable to provide information for sales of identical or similar large newspaper printing presses sold in both markets. Accordingly, the petitioner based normal value on CV.

CV includes the COM, SGA, interest expense, U.S. packing, and profit. For COM, the petitioner estimated material requirements and overhead costs for the two reported Japanese sales based on its own bid proposal cost of production model and adjusted for known differences between costs incurred in producing the large newspaper printing presses in the United States and the production costs incurred for the merchandise in Japan.

For one sale, the petitioner used SGA expenses from its own U.S. Graphic Systems division expense because the CV was based primarily on U.S. production costs. For the other sale, the petitioner used the SGA expenses incurred by its Japanese subsidiary because the CV was based primarily on the subsidiary's costs. The Department prefers to calculate SGA using home market and industry specific information where reasonably available. Therefore, we used the SGA expenses from petitioner's Japanese subsidiary for both Japanese sales because this represented costs specific to the newspaper press industry in Japan.

The petitioner calculated interest expense and profit for both Japanese sales based on Mitsubishi Heavy Industries' 1993 and 1994 consolidated financial statements, respectively. Packing costs were based on its own U.S. Graphic Systems division's experience.

Based on the Department's modifications to the petitioner's methodology, the estimated dumping margins range from 78.22 to 179.55 percent.

Fair Value Comparisons

Based on the data provided by the petitioner, there is reason to believe that

imports of large newspaper printing presses are being, or are likely to be, sold at less than fair value. If it becomes necessary at a later date to consider these petitions as a source of facts available under section 776 of the Act, we may review further the calculations.

Initiation of Investigations

We have examined the petitions on large newspaper printing presses from Germany and Japan and have found that they meet the requirements of section 732 of the Act, including the requirements concerning allegations of the material injury or threat of material injury to the domestic producers of a domestic like product by reason of the complained-of imports, allegedly sold at less than fair value. Therefore, pursuant to section 732(c)(2) of the Act, we are instituting antidumping duty investigations to determine whether imports of large newspaper printing presses from Germany and Japan are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determinations by December 7, 1995.

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act, copies of the public versions of the petitions have been provided to the representatives of the governments of Germany and Japan. We will attempt to provide copies of the public versions of the petitions to all the exporters named in the petitions.

International Trade Commission (ITC) Notification

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

Preliminary Determinations by the ITC

The ITC will determine by August 14, 1995, whether there is a reasonable indication that imports of large newspaper printing presses from Germany and Japan are materially injuring, or threaten material injury to, a U.S. industry. A negative ITC determination in either investigation will result in that investigation being terminated; otherwise, the investigations will proceed according to statutory and regulatory time limits.

Dated: July 20, 1995.

Paul L. Jaffe,

Acting Assistant Secretary for Import Administration.

[FR Doc. 95-18399 Filed 7-26-95; 8:45 am]

BILLING CODE 3910-02-9

APPENDIX C

**LIST OF WITNESSES APPEARING AT
THE COMMISSION'S CONFERENCE**

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 731-TA-736 and 737 (Preliminary)

LARGE NEWSPAPER PRINTING PRESSES AND COMPONENTS THEREOF,
WHETHER ASSEMBLED OR UNASSEMBLED,
FROM GERMANY AND JAPAN

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigations on July 21, 1995, in the Hearing Room of the USITC Building, 500 E Street SW., Washington, DC.

In support of the imposition of antidumping duties

Wiley, Rein & Fielding--Counsel
Washington, DC
on behalf of--

Rockwell International Corp.
Seal Beach, CA

W. Michael Barnes, Senior Vice President, Finance & Planning, and
Chief Financial Officer

Rockwell Graphic Systems, Inc.
Westmont, IL

Henry Cobb, National Sales Director
Allen Sheng, Vice President of Engineering and Technology
Ed Suchma, Executive Vice President
Lawrence J. Bain, Director, Printing Technology
David F. Rodemeyer, Controller

Law & Economic Consulting Group, Inc.
Washington, DC

Andrew R. Wechsler, Principal Trade Consultant
Pieter Van Leeuwen, Trade Consultant

Charles Owen Verrill, Jr.)
Alan H. Price)--OF COUNSEL
Willis S. Martyn III)

CALENDAR OF PUBLIC CONFERENCE--Continued

In opposition to the imposition of antidumping duties

Steptoe & Johnson--Counsel

Washington, DC

on behalf of--

Mitsubishi Heavy Industries, Ltd.

Tokyo, Japan

Economic Consulting Services, Inc.

Washington, DC

Bruce Malashevich, President

Richard O. Cunningham)
Edward J. Krauland)--OF COUNSEL

Shearman & Sterling--Counsel

Washington, DC

on behalf of--

MAN Roland Druckmaschinen AG

Augsberg, Germany

Gerd Finkbeiner, Deputy Member of the Board

Helgi Schmidt-Liermann, Chief Executive Officer

Vincent C. Lapinski, Director of National Newspaper

Group Accounts

Thomas B. Wilner)
Tod E. Siegal)--OF COUNSEL

Kirkland & Ellis--Counsel

Washington, DC

on behalf of--

KBA Group

Wurzberg, Germany

KBA-Motter

York, PA

Scott Smith, President and CEO

Kenneth G. Weigel)
Carol A. Rafferty)--OF COUNSEL

CALENDAR OF PUBLIC CONFERENCE--Continued

In opposition to the imposition of antidumping duties--Continued

Foley & Lardner--Counsel
Washington, DC
on behalf of--

Tokyo Kikai Seisakusho, Ltd.
Tokyo, Japan

Kohei Shiba, President
Tadashi Morimoto, Director, Manager Overseas Sales

TKS (U.S.A.), Inc.
Richardson, TX

John E. Hall, Senior Vice President
James R. Price, Consultant

Trade Resources Co.
Washington, DC

Richard D. Boltuck
Paul A. Zucker

James N. Bierman)
Hoken S. Seki)--OF COUNSEL
Melinda F. Levitt)

APPENDIX D

SUPPLEMENTARY SUMMARY TABLES

Explanatory notes

In many, if not most, Commission investigations, the sum of the components will equal the total of the product. Thus, the questionnaires in these investigations requested data for all of the components of large newspaper printing presses and press additions enumerated in the petition. ***. Therefore, with the exception of the data in table D-7, the data in the tables in appendix D are useful only as an indication of the relative quantity and value of shipments of one component compared to another. The components will not necessarily sum to the total values reported in appendix A. The data of table D-7 are useful because the data reflect the only production activity in the United States reported by TKS (U.S.A.); however, TKS (U.S.A.) is potentially a "related party" in these investigations.

Table D-1 presents data on large newspaper printing press printing units, with data for MAN Roland removed from U.S. Producers data because of deficiencies in MAN Roland's questionnaire response.

Table D-2 presents data on large newspaper printing press reel tension pasters. There are no "related party" issues or questionnaire deficiencies (other than the deficiencies described in the explanatory notes).

Table D-3 presents data on large newspaper printing press folders, with data for KBA-Motter removed from U.S. Producers data for consideration of "related party" issues.

Table D-4 presents data on large newspaper printing press folders, with data for KBA-Motter included in U.S. Producers data.

Table D-5 presents data on large newspaper printing press conveyance and access apparatus. There are no "related party" issues or questionnaire deficiencies (other than the deficiencies described in the explanatory notes).

Table D-6 presents data on large newspaper printing press computerized control systems, with U.S. producer data for Rockwell only.

Table D-7 presents data on large newspaper printing press computerized control systems, with U.S. producer data for TKS (U.S.A.) only. TKS (U.S.A.) is potentially a "related party."

Table D-8 presents data on large newspaper printing press computerized control systems, with U.S. producer data for Rockwell and TKS (U.S.A.).

Table D-1

Large newspaper printing press printing units: Summary data concerning the U.S. market (with "producer" data for all firms excluding MAN Roland), 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table D-2

Large newspaper printing press reel tension pasters: Summary data concerning the U.S. market, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table D-3

Large newspaper printing press folders: Summary data concerning the U.S. market (with "producer" data for all firms excluding KBA-Motter), 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table D-4

Large newspaper printing press folders: Summary data concerning the U.S. market, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table D-5

Large newspaper printing press conveyance and access apparatus: Summary data concerning the U.S. market, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table D-6

Large newspaper printing press computerized control systems: Summary data concerning the U.S. market (with "producer" data for Rockwell only), 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table D-7

Large newspaper printing press computerized control systems: Summary data concerning TKS (U.S.A.), 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

Table D-8

Large newspaper printing press computerized control systems: Summary data concerning the U.S. market, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

APPENDIX E
SUMMARY DATA FOR SMALL PRINTING PRESSES

According to *** questionnaire response, the usual delivery of a small printing press is within 4 to 7 months, whereas a large printing press usually takes from 20 to 24 months from time of the order to startup of the press. ***. *** stated in its questionnaire response that large and small newspaper printing presses "are generally different markets." ***. *** stated that delivery time for a small press is 6 to 7 months. ***; another producer of small newspaper printing presses, stated that a quote for small printing presses would not be responsive to a request for bids on large printing presses because of "insufficient speed, capacity, and output." ***. *** stated that the usual time between the award of a bid and startup of the press is six months. In its producer questionnaire response *** answered "not applicable" to the Commission's questions on small newspaper printing presses. *** in its response stated ***. ***; in its importer questionnaire response, stated that it does not sell small newspaper printing presses and therefore the questions relating to such presses were "not applicable." *** stated in its importer questionnaire response that "*** does not market in the United States small newspaper printing presses."

Table E-1

Small newspaper printing presses: Summary data concerning the U.S. market, 1991-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

* * * * *

APPENDIX F

**TABLES PRESENTING DOMESTIC AND EXPORT SALES FOR
COMPLETED AND IN-PROCESS PRESSES, CLASSIFIED
BY CONTRACT AND DELIVERY DATE**

Table F-1

Gross profit-and-loss experience of U.S. producers on their domestic operations producing large newspaper printing presses, classified by contract date, by firms, calendar years 1991-95

* * * * *

Table F-2

Gross profit-and-loss experience of U.S. producers on their export operations producing large newspaper printing presses, classified by contract date, by firms, calendar years 1991-95

* * * * *

Table F-3

Gross profit-and-loss experience of U.S. producers on their domestic operations producing large newspaper printing presses, classified by delivery date, by firms, calendar years 1991-96

* * * * *

Table F-4

Gross profit-and-loss experience of U.S. producers on their export operations producing large newspaper printing presses, classified by delivery date, by firms, calendar years 1991-96

* * * * *

APPENDIX G

**EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT
AND PRODUCTION EFFORTS, GROWTH, INVESTMENT,
AND ABILITY TO RAISE CAPITAL
AND
COMMENTS OF U.S. PRODUCERS ON QUESTIONS RELATING TO
COST REDUCTIONS, TECHNOLOGY, R&D, AND CAPITAL EXPENDITURES**

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of large newspaper printing presses and their components, whether assembled or unassembled, from Germany and Japan on their growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product. The Commission also asked U.S. producers to report the influence of such imports on their scale of capital investments undertaken, and the immediate and long-term effects of lost sales and price reductions due to import competition on their cash flow, production scheduling, revenue, employment, and cost structure. The responses are as follows:

Actual Negative Effects

Heidelberg Harris, Inc.

***.

KBA-Motter Corp.

***.

MAN Roland Inc.

***.

Rockwell Graphic Systems

* * * * *

Anticipated Negative Effects

Heidelberg Harris, Inc.

***.

KBA-Motter Corp.

***.

MAN Roland Inc.

***.

Rockwell Graphic Systems

* * * * *

Influence of Imports on Capital Investment

Heidelberg Harris, Inc.

***.

KBA-Motter Corp.

***.

MAN Roland Inc.

***.

Rockwell Graphic Systems

* * * * *

The Immediate and Long-Term Effects of Lost Sales and Price Reductions Due to Import Competition on Cash Flow, Production Scheduling, Revenue, Employment, and Cost Structure

Heidelberg Harris, Inc.

***.

KBA-Motter Corp.

***.

MAN Roland Inc.

***.

Rockwell Graphic Systems

* * * * *

The Commission requested U.S. producers to describe cost reductions on production of multiple presses of a similar design; effects of customers' use of technology on producers' ability to design, build, and install large newspaper printing presses; producers' R&D driven by individual customer order; and influence of major capital expenditures on producers' capacity to produce large newspaper printing presses. Responses follow.

Cost Reductions on Production of Multiple Presses of a Similar Design

Heidelberg Harris, Inc.

***.

KBA-Motter Corp.

***.

MAN Roland Inc.

***.

Rockwell Graphic Systems

* * * * *

**Effects of Customers' Use of Technology on Producers'
Ability to Design, Build, and Install
Large Newspaper Printing Presses**

Heidelberg Harris, Inc.

***.

KBA-Motter Corp.

***.

MAN Roland Inc.

***.

Rockwell Graphic Systems

* * * * *

Producers' R&D Driven by Individual Customer Order

Heidelberg Harris, Inc.

***.

KBA-Motter Corp.

***.

MAN Roland Inc.

***.

Rockwell Graphic Systems

* * * * *

Influence of Major Capital Expenditures on Producers' Capacity to Produce Large Newspaper Printing Presses

Heidelberg Harris, Inc.

***.

KBA-Motter Corp.

***.

MAN Roland Inc.

***.

Rockwell Graphic Systems

* * * * *