

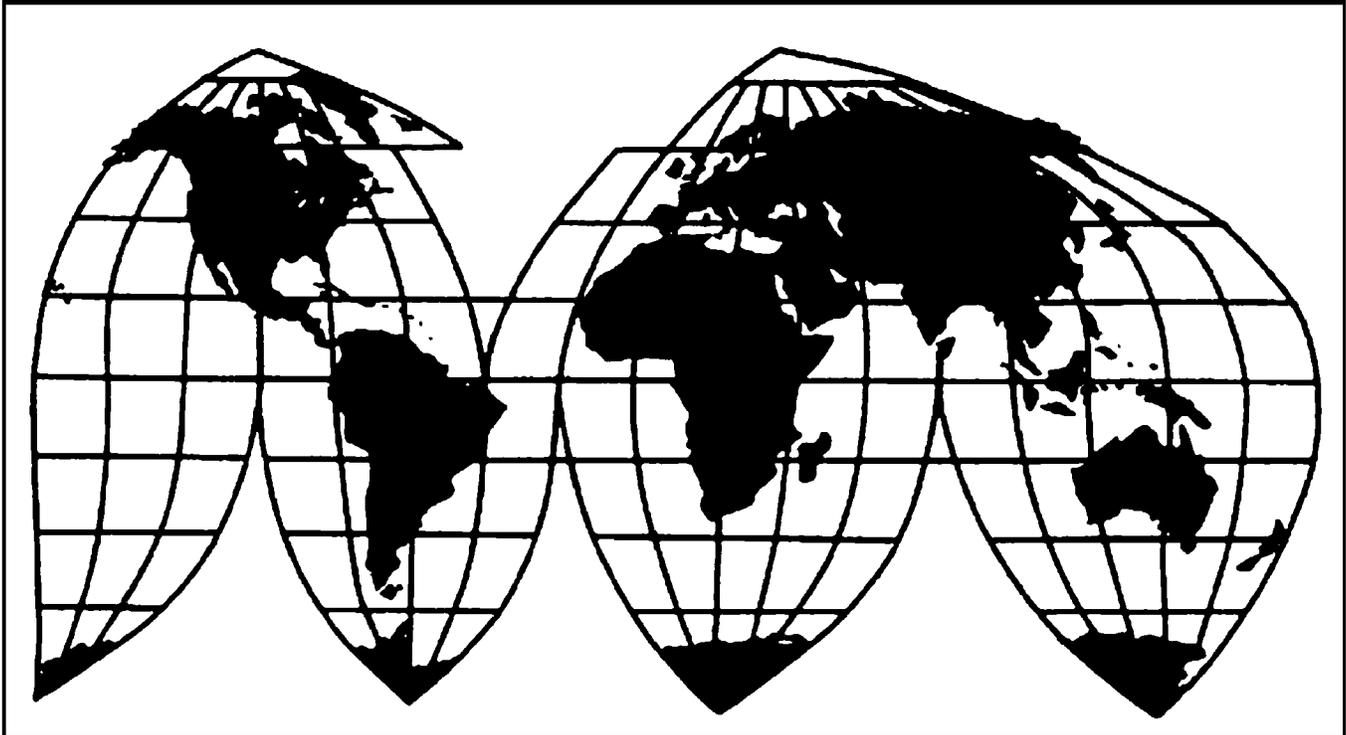
Small Vertical Shaft Engines from China

Investigation Nos. 701-TA-643 and 731-TA-1493 (Preliminary)

Publication 5054

May 2020

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-643 and 731-TA-1493 (Preliminary)

Small Vertical Shaft Engines from China

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that there is a reasonable indication that an industry in the United States is materially injured, by reason of imports of small vertical shaft engines from China, provided for in subheadings 8407.90.10, 8409.91.99, 8433.11.00, 8424.30.90, and 8407.90.90 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”) and to be subsidized by the government of China.²

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission’s rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission’s rules, upon notice from the U.S. Department of Commerce (“Commerce”) of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing

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 85 FR 16958, March 25, 2020.

duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On March 18, 2020, Briggs & Stratton Corporation, Wauwatosa, Wisconsin filed petitions with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized and LTFV imports of small vertical shaft engines from China. Accordingly, effective March 18, 2020, the Commission instituted countervailing duty investigation No. 701-TA-643 and antidumping duty investigation No. 731-TA-1493 (Preliminary).

Notice of the institution of the Commission's investigations and of a conference through written testimony 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 March 25, 2020 (85 FR 16958). In light of the restrictions on access to the Commission building due to the COVID-19 pandemic, the Commission conducted its conference through written questions, submissions of opening remarks and written testimony, written responses to questions, and postconference briefs. All persons who requested the opportunity were permitted to participate.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of small vertical shaft engines from China that are allegedly sold in the United States at less than fair value and subsidized by the government of China.

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.¹ 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 such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”²

II. Background

Briggs & Stratton Corporation (“B&S”), a U.S. producer of small vertical shaft engines (“SVSEs”), filed the petitions in these investigations on March 18, 2020 alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (“LTFV”) and subsidized imports of SVSEs from China. Representatives and counsel for B&S submitted opening remarks, witness testimony, responses to staff questions, and a post-conference brief.^{3 4}

Several respondent firms participated in these investigations. U.S. importers MTD Products, Inc. (“MTD”), and The Toro Company and Toro Purchasing Company (collectively

¹ 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); see also *American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States*, 20 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

² *American Lamb Co.*, 785 F.2d at 1001; see also *Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

³ In light of the restrictions on access to the Commission building due to the COVID-19 pandemic, the Commission conducted its staff conference in these investigations through opening remarks, written questions, submissions of written testimony, written responses to questions, and post-conference briefs as set forth in procedures provided to the parties.

⁴ B&S Public Opening Statement and Witness Testimonies dated April 6, 2020 (“B&S Testimony”); Briggs Post-Conference Brief dated April 14, 2020 (“B&S Post-Conference Brief”); B&S also filed an errata to their post-conference brief dated April 15, 2020 that included two affidavits (“B&S Post-Conference Brief Errata Submission”). U.S. producer Honda Power Equipment (“Honda Power”), U.S. importer American Honda Motor Co., Inc. (“American Honda”) and U.S. exporter Jialing-Honda Motors Co., Ltd. (“Jialing”) filed a joint entry of appearance but did not file any written submissions.

“Toro”) submitted opening remarks, witness testimony, responses to staff questions, and post-conference briefs.⁵

III. Domestic Like Product

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 imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”⁶ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁷ In turn, the Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”⁸

By statute, the Commission’s “domestic like product” analysis begins with the “article subject to an investigation,” *i.e.*, the subject merchandise as determined by Commerce.⁹ Therefore, Commerce’s determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value is “necessarily the starting point of the Commission’s like product analysis.”¹⁰ The Commission then defines the domestic like product in light of the imported articles Commerce has identified.¹¹ The decision regarding the

⁵ MTD Testimony Affidavit filed April 6, 2020 (“MTD Testimony”) and MTD Post-Conference Brief dated April 14, 2020 (“MTD Post-Conference Brief”). Opening Remarks and Witness Testimonies of The Toro Company and Toro Purchasing Company dated April 6, 2020 (“Toro Testimony”) and Toro Post-Conference Brief dated April 14, 2020 (“Toro Post-Conference Brief”). MTD and Toro are both importers of subject merchandise and purchasers of domestically produced SVSEs. Both companies are also customers of B&S. *See, e.g.*, B&S Post-Conference Brief at 10 (***) ; *see also id.* at 19-22, 24, 30-31. Further, ***. *Id.* at 19.

⁶ 19 U.S.C. § 1677(4)(A).

⁷ 19 U.S.C. § 1677(4)(A).

⁸ 19 U.S.C. § 1677(10).

⁹ 19 U.S.C. § 1677(10). The Commission must accept Commerce’s determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value. *See, e.g., USEC, Inc. v. United States*, 34 Fed. App’x 725, 730 (Fed. Cir. 2002) (“The ITC may not modify the class or kind of imported merchandise examined by Commerce.”); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int’l Trade 1988), *aff’d*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

¹⁰ *Cleo Inc. v. United States*, 501 F.3d 1291, 1298 (Fed. Cir. 2007); *see also Hitachi Metals, Ltd. v. United States*, Case No. 19-1289, slip op. at 8-9 (Fed. Cir. Feb. 7, 2020) (the statute requires the Commission to start with Commerce’s subject merchandise in reaching its own like product determination).

¹¹ *Cleo*, 501 F.3d at 1298 n.1 (“Commerce’s {scope} finding does not control the Commission’s {like product} determination.”); *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds (Continued...))

appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.^{12 13} No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹⁴ The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹⁵

B. Product Description

In its notices of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

{S}park-ignited, nonroad, vertical shaft engines, whether finished or unfinished, whether assembled or unassembled, whether mounted or unmounted, primarily for walk-behind lawn mowers. Engines meeting this physical description may also be for other non-handheld outdoor power equipment, including but not limited to, pressure washers. The subject engines are spark ignition, single cylinder, air cooled, internal combustion engines with vertical power take off shafts with a minimum displacement of 99 cubic centimeters (cc) and a

defined by Commerce); *Torrington*, 747 F. Supp. at 748–52 (affirming the Commission’s determination defining six like products in investigations where Commerce found five classes or kinds).

¹² See, e.g., *Cleo*, 501 F.3d at 1299; *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *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 the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See *Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

¹³ In a semi-finished product analysis, the Commission typically examines: (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) the significance and extent of the processes used to transform the upstream into the downstream articles. See, e.g., *Hydrofluorocarbon Blends and Components from China*, 731-TA-1279 (Preliminary), USITC Pub. 4558 at 7-9 (Aug. 2015); *Glycine from India, Japan, and Korea*, Inv. Nos. 731-TA-1111-1113 (Preliminary), USITC Pub. No. 3921 at 7 (May 2007).

¹⁴ See, e.g., S. Rep. No. 96-249 at 90–91 (1979).

¹⁵ See, e.g., *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748–49; see also S. Rep. No. 96-249 at 90–91 (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

maximum displacement of up to, but not including, 225cc. Typically, engines with displacements of this size generate gross power of between 1.95 kilowatts (kw) to 4.75 kw.

Engines covered by this scope normally must comply with and be certified under Environmental Protection Agency (EPA) air pollution controls title 40, chapter I, subchapter U, part 1054 of the Code of Federal Regulations standards for small nonroad spark-ignition engines and equipment. Engines that otherwise meet the physical description of the scope but are not certified under 40 CFR part 1054 and are not certified under other parts of subchapter U of the EPA air pollution controls are not excluded from the scope of this proceeding. Engines that may be certified under both 40 CFR part 1054 as well as other parts of subchapter U remain subject to the scope of this proceeding.

Certain small vertical shaft engines, whether or not mounted on non-hand-held outdoor power equipment, including but not limited to walk-behind lawn mowers and pressure washers, are included in the scope. However, if a subject engine is imported mounted on such equipment, only the engine

is covered by the scope. Subject merchandise includes certain small vertical shaft engines produced in the subject country whether mounted on outdoor power equipment in the subject country or in a third country. Subject engines are covered whether or not they are accompanied by other parts.

For purposes of this investigation, an unfinished engine covers at a minimum a sub-assembly comprised of, but not limited to, the following components: crankcase, crankshaft, camshaft, piston(s), and connecting rod(s). Importation of these components together, whether assembled or unassembled, and whether or not accompanied by additional components such as a sump, carburetor spacer, cylinder head(s), valve train, or valve cover(s), constitutes an unfinished engine for purposes of this investigation. The inclusion of other products such as spark plugs fitted into the cylinder head or electrical devices (*e.g.*, ignition coils) for synchronizing with the engine to supply tension current does not remove the product from the scope. The inclusion of any other components not identified as comprising the unfinished engine subassembly in a third country does not remove the engine from the scope.

The engines subject to this investigation are predominantly classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheading 8407.90.1010. The engine subassemblies that are subject to this investigation enter under HTSUS 8409.91.9990. The mounted engines that are subject to this investigation enter under HTSUS 8433.11.0050, 8433.11.0060, and 8424.30.9000. Engines subject to this investigation may also enter under HTSUS 8407.90.1020, 8407.90.9040, and 8407.90.9060. The HTSUS subheadings are

provided for convenience and customs purposes only, and the written description of the merchandise under investigation is dispositive.¹⁶

The SVSEs subject to the scope of these investigations are spark ignition, single cylinder, air-cooled small vertical engines. They are most commonly used in walk-behind mowers but may also be used in other outdoor power equipment such as pressure washers and wheeled trimmers.¹⁷ SVSEs must comply with and be certified to meet U.S. Environmental Protection Agency (“EPA”) air pollution standards. Most of the SVSEs covered by the scope of these investigations are classified as Class I engines under EPA standards.¹⁸

C. Arguments of the Parties

Petitioner’s Arguments. B&S argues that the Commission should apply its traditional six factor domestic like product analysis and define a single domestic like product that is co-extensive with the scope of these investigations.¹⁹

Respondents’ Arguments. Respondent Toro argues that the Commission should define SVSEs that have been mounted on power equipment as a separate domestic like product from unmounted SVSEs, and that it should define commercial SVSEs as a separate domestic like product from other SVSEs.²⁰ In contrast, respondent MTD does not raise any domestic like product arguments.²¹

D. Domestic Like Product Analysis

There are two domestic like product issues in these investigations: (1) whether there is a clear dividing line between articles within the scope – unmounted SVSEs and SVSEs that have been mounted onto power equipment; and (2) whether the Commission should define commercial SVSEs which are not produced in the United States as a separate domestic like product from other SVSEs. We address these issues below. Based on the record for the preliminary phase of these investigations, we define a single domestic like consisting of SVSEs, co-extensive with the scope of these investigations.

1. Whether SVSEs that have been mounted onto power equipment should be a separate domestic like product from unmounted SVSEs

Toro argues that SVSEs that have been “physically attached to power equipment” which it refers to as “mounted units” should be a separate domestic like product from unmounted

¹⁶ *Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof From the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 85 Fed. Reg. 20667 (Dep’t Commerce, Apr. 14, 2020); *Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof From the People’s Republic of China: Initiation of Less-Than-Fair Value Investigation*, 85 Fed. Reg. 20670 (Dep’t Commerce, Apr. 14, 2020).

¹⁷ CR/PR at I-9, 14-15.

¹⁸ CR/PR at I-10-11.

¹⁹ B&S Post-Conference Brief at 5, Exhibit 1 at 26-32.

²⁰ Toro Post-Conference Brief at 4-8.

²¹ MTD Post-Conference Brief at 3.

SVSEs.²² B&S argues that Toro’s argument arises from a misunderstanding of the scope of these investigations, which covers only SVSEs not also downstream products in which SVSEs may be mounted.²³

The scope of these investigations covers “[c]ertain small vertical shaft engines, whether or not mounted on non-hand-held outdoor power equipment, including but not limited to walk-behind lawn mowers and pressure washers” and further adds that “if a subject engine is mounted on such equipment, only the engine is covered by the scope.”²⁴ Thus, the engine, whether unmounted or mounted, is in the scope but the downstream mounted component to which the engine is attached, is not in the scope.

We analyze Toro’s arguments below in the context of determining whether mounted SVSEs should be included in the same domestic like product as unmounted SVSEs.²⁵

Physical Characteristics and Uses. Toro argues that mounted SVSEs have distinct physical characteristics and uses from unmounted SVSEs²⁶ because “they have been physically attached to power equipment and their purpose has been set through this installation – whether powering a particular walk power model mower or pressure washer.”²⁷ All domestically produced SVSEs – mounted or unmounted – are engines that are designed to transmit the amount of power appropriate for use in certain types of power equipment.²⁸ Thus, SVSEs whether unmounted or mounted have the same physical characteristics and uses. Toro does not argue that there are any fundamental differences between the engines themselves that are within the scope, mounted and unmounted SVSEs, but contends that the mounted SVSEs differ from unmounted SVSEs, due to their installation onto power equipment.

Interchangeability. Toro argues that mounted SVSEs have limited interchangeability with unmounted SVSEs because unmounted SVSEs can be deployed in various applications,

²² Toro Post-Conference Brief at 5; Toro also refers to these mounted units as “mounted engine units” and “mounted engines.”

²³ B&S Post-Conference Brief, Exhibit 1 at 35.

²⁴ CR/PR at I-7.

²⁵ It is not entirely clear that Toro has limited its separate domestic like product argument to only include the engine in mounted units, or instead intends to have a separate domestic like product that corresponds to the entire mounted unit. The Commission typically does not expand the domestic like product to include domestically produced downstream articles when there is no corresponding downstream imported article within the scope. *Certain Frozen or Canned Warmwater Shrimp and Prawns from Brazil, China, Ecuador, India, Thailand, and Vietnam*, Inv. Nos. 731-TA-1063-1068 (Preliminary), USITC Pub. 3672 at 14-15 (Feb. 2004); *Low Enriched Uranium from France, Germany, the Netherlands, and the United Kingdom*, Inv. Nos. 701-TA-409-412, 731-TA-909-912 (Preliminary), USITC Pub. 3388 at 6 (Jan. 2001). Therefore, the downstream mounted component and power equipment is not in the scope or the domestic like product and for purposes of the preliminary phase of these investigations we decline to expand the domestic like product to include downstream mounted products that incorporate SVSEs.

²⁶ Toro refers to unmounted SVSEs as “unmounted units” and “unmounted engines.”

²⁷ Toro Post-Conference Brief at 5-6; Toro Testimony, Sparks at 1.

²⁸ CR/PR at I-10-15; B&S Post-Conference Brief, Exhibit 1 at 34-35.

whereas mounted SVSEs would need to undergo a de-installation process from their attached power equipment before they could have alternative uses.²⁹ Toro does not argue specifically that the SVSEs within the mounted units and the unmounted SVSEs are not interchangeable. B&S argues that mounted and unmounted SVSEs are broadly interchangeable with each other, given that they are both used in walk-behind mowers, as well as power washers and other similar products.³⁰

Channels of Distribution. Toro argues that mounted SVSEs are sold through distinct channels of distribution, as they are sold as part of the finished power equipment through dealers, distributors, and retail partners. In contrast, Toro argues that unmounted SVSEs are sold to OEMs for further working and installation into outdoor power equipment.³¹ Toro's arguments distinguish between the channels of distribution for mounted SVSEs that have undergone some form of downstream installation processing prior to being sold through dealers, distributors and retail partners, and unmounted SVSEs, which have not yet been sold to OEMs to undergo the further installation processing prior to being shipped to retailers. Thus, this distinction highlights a difference in the channels of distribution for the downstream product as compared to SVSEs, but all in-scope SVSEs ultimately are mounted on power equipment. During the 2017 to 2019 period of investigation ("POI"), *** percent of U.S. shipments of unmounted SVSEs went to OEMs.³² Mounted SVSEs are typically sold to distributors and retailers rather than OEMs.³³

Manufacturing Facilities, Production Processes and Employees. All SVSEs are made from cast iron and aluminum components that are machined and then assembled through a short block and a long block process, and then finished by adding the components necessary for the engine to run, produce power, and meet emission requirements.³⁴ Toro argues that mounted SVSEs pass through distinct manufacturing facilities, and that they undergo a final assembly process – often at a separate manufacturing facility – that results in the finished piece of equipment, and that unmounted SVSEs do not undergo this final assembly process.³⁵ This final assembly process, however, is for a downstream product and all SVSEs must undergo this process in order to perform their intended function (*i.e.*, provide power to power equipment). The manufacturing process for the in-scope SVSE, whether mounted or unmounted, is the same.

²⁹ Toro Post-Conference Brief at 6; Toro Testimony, Sparks at 1-2.

³⁰ B&S Post-Conference Brief, Exhibit 1 at 34.

³¹ Toro Post-Conference Brief at 6; Toro Testimony, Sparks at 2. Toro argues that its "unmounted imports" have different channels of distribution from its mounted SVSEs as they are service engines that are sent to repair centers. Toro Post-Conference Brief at 6. We observe that our domestic like product analysis involves domestically produced articles and not imports.

³² CR/PR at Table II-2.

³³ B&S Post-Conference Brief, Exhibit 1 at 35 n.138.

³⁴ CR/PR at I-15-17.

³⁵ Toro Post-Conference Brief at 6; Toro Testimony, Sparks at 2.

B&S produced its SVSEs at two U.S. manufacturing facilities, one in Poplar Bluff, Missouri and one in Murray, Kentucky over the POI.³⁶ Honda produces SVSEs at one U.S. manufacturing facility in Swepsonville, North Carolina.³⁷

Producer and Customer Perceptions. Toro states that customers likely view unmounted SVSEs as unfinished goods but they view mounted SVSEs as constituting a specific engine-platform matched pair that is ready to be put to work.³⁸ Toro's argument appears to focus on the downstream product rather than the SVSE component. B&S contends that customers and producers generally perceive SVSEs (which include both mounted and unmounted engines) to be the same product.³⁹

Price. B&S states that the prices of all in-scope SVSEs vary but fall within the same general range.⁴⁰ Toro argues that pricing for mounted SVSEs reflect that they have undergone an installation process and are sold to consumers as products that are ready to use.⁴¹ This argument refers to the price of the downstream product, which incorporates the in-scope mounted SVSE but does not reflect the price of the engine itself.

Conclusion. The SVSE component of mounted SVSEs, which Toro defines as SVSEs that have been physically attached to power equipment, share the same physical characteristics and uses, manufacturing processes, customer perceptions, and price as SVSEs that are unmounted. Factors that may distinguish the downstream product, which incorporates the mounted SVSE, from unmounted SVSEs are not relevant to whether the SVSE component of the downstream product differs from unmounted SVSEs. Toro's arguments with respect to most of the domestic like product factors, however, are comparing the downstream product with unmounted SVSEs rather than comparing the SVSE component of the downstream product with unmounted SVSEs. While we acknowledge that mounted SVSEs are typically sold to distributors and retailers rather than OEMs, we nonetheless consider on balance that the record demonstrates that there is not a clear dividing line between unmounted and mounted SVSEs. For purposes of the preliminary phase of these investigations, we include all SVSEs, whether unmounted or mounted, in a single domestic like product.⁴²

³⁶ B&S Post-Conference Brief, Exhibit 1 at 32. In ***. CR/PR at Table III-3. *See also* Section V.B.2. below ***.

³⁷ CR/PR at Table III-1.

³⁸ Toro Post-Conference Brief at 6, Toro Testimony, Sparks at 2. Toro states that customers view its unmounted SVSEs as service engines.

³⁹ B&S Post-Conference Brief, Exhibit 1 at 34.

⁴⁰ B&S Post-Conference Brief, Exhibit 1 at 35.

⁴¹ Toro Post-Conference Brief at 6, Toro Testimony, Sparks at 2.

⁴² In the alternative, we have considered this question using the Commission's semi-finished product analysis given that installing the mounted SVSE onto power equipment arguably places it at a different stage of processing than unmounted SVSEs. All SVSEs have the same dedicated end use, whether mounted prior to sale or sold unmounted and then mounted prior to use. Of the SVSEs domestically manufactured, some will be sold in mounted form and some in unmounted form, but essentially all of them will ultimately be mounted on to power equipment. There is no alternative (Continued...)

2. Whether commercial SVSEs should be a separate domestic like product from other SVSEs

Toro argues that the Commission should consider commercial SVSEs, which are not produced domestically, to be a separate domestic like product from other SVSEs.⁴³ Toro, MTD, and B&S agree that an SVSE that meets the EPA useful life standard of 500-hours qualifies as a commercial SVSE.⁴⁴ However, neither U.S. producer of SVSEs, B&S or Honda, manufacture commercial SVSEs.⁴⁵ Since there is no U.S. production of commercial SVSEs, we do not define commercial SVSEs to be a separate domestic like product from other SVSEs.⁴⁶

Based on the foregoing, we define a single domestic like product, SVSEs, that is co-extensive with the scope of these investigations

IV. Domestic Industry and Related Parties

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁴⁷ In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all

economic use for an unmounted SVSE. SVSEs are sold commercially in both mounted and unmounted form. OEMs are the principal purchasers of unmounted SVSEs from U.S. producers. During the POI, *** percent of U.S. shipments of unmounted SVSEs went to OEMs. CR/PR at Table II-2. Mounted SVSEs are typically sold to distributors and retailers rather than OEMs. B&S Post-Conference Brief at 35 n.138. Regardless of whether a SVSE is in mounted or unmounted form, the scope only includes the SVSE itself, and the SVSE is essentially the same regardless of whether it is in mounted or unmounted form and has the same underlying function. There is limited information in the record regarding the differences in value or extent of the processes used to mount the SVSE onto a downstream product.

For purposes of the preliminary phase of these investigations we find that the record supports the inclusion of all in-scope merchandise within the same domestic like product. Although there may be some differences between the markets for SVSEs in mounted form and in unmounted form, all SVSEs in unmounted form are ultimately mounted. There is limited information regarding the difference in value between a SVSE in unmounted form and one in mounted form, which, similar to the process required to mount the SVSE, is dependent on the downstream product. Accordingly, we do not find SVSEs in unmounted form and the SVSE portion of a mounted SVSE to be separate domestic like products.

⁴³ Toro Post-Conference Brief at 7.

⁴⁴ Toro Post-Conference Brief, Attachment 1 at 6-8. Toro explains that the useful life period of commercial Class I engines is 500 hours and that Class I engines are non-handheld engines with total displacement below 225cc. *Id.* at 7. MTD Post-Conference Brief, Exhibit I at 9; B&S Post-Conference Brief, Exhibit 1 at 19.

⁴⁵ B&S Post-Conference Brief, Exhibit 1 at 19. CR/PR at II-1.

⁴⁶ See *Artist’s Canvas from China*, Inv. No. 731-TA-1091 (Preliminary), USITC Pub. 3777 (May 2005) at 5-6.

⁴⁷ 19 U.S.C. § 1677(4)(A).

domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.⁴⁸

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.⁴⁹ Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.⁵⁰

Honda Power, which imported subject merchandise from China during the 2017 to 2019 POI,⁵¹ is a wholly-owned subsidiary of American Honda, an importer of subject merchandise;⁵² and Honda Power is related to an exporter of subject merchandise through common ownership.⁵³ Consequently, we find that Honda Power is a related party under 19 U.S.C. § 1677(4)(B)(i)&(ii).

Arguments of the Parties. B&S argues that appropriate circumstances exist for the Commission to exclude Honda from the domestic industry for several reasons. It points out

⁴⁸ Respondent Toro argues that the Commission should consider U.S. firms that mount SVSEs onto power equipment to be part of the domestic industry. Toro Post-Conference Brief at 7 n.11. In contrast, B&S argues that the Commission should not include producers of lawn mowers and other downstream products in the domestic industry. B&S Post-Conference Brief, Exhibit 1 at 35 n.140. For purposes of the preliminary phase of these investigations, we do not include any firm that mounts or physically attaches SVSEs onto power equipment in the domestic industry as that firm would be engaging in downstream production of power equipment and not domestic production of SVSEs.

⁴⁹ See *Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

⁵⁰ The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(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 (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);

(3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;

(4) the ratio of import shipments to U.S. production for the imported product; and

(5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31 (Ct. Int'l. Trade 2015); see also *Torrington Co. v. United States*, 790 F. Supp. at 1168.

⁵¹ CR/PR at Table III-8; 19 U.S.C. § 1677(4)(B)(i).

⁵² CR/PR at Table III-2; 19 U.S.C. § 1677(4)(B)(ii)(II).

⁵³ Honda Power is wholly owned by Honda Motor Co., Ltd. ("Honda Motor Co. – Japan"), a Japanese producer of SVSEs, which also owns Chinese SVSE producer and exporter Jialing. CR at Table III-2; 19 U.S.C. § 1677 4)(B)(ii)(III). Honda Power Producer Questionnaire Response at I-6.

that both Honda Power and American Honda imported substantial volumes of subject imports during the POI.⁵⁴ B&S further argues that Honda Power's *** indicates that Honda Power's interests are aligned with its related parties rather than with the rest of the domestic industry.⁵⁵ Moreover, B&S contends that, since Honda Power represents *** of domestic production, excluding its data from the domestic industry data would not prevent the Commission from being able to assess the impact of the subject imports. Additionally, B&S argues that Honda Power's data are flawed and that they skew the domestic industry data.⁵⁶ Respondents MTD and Toro do not raise any arguments with respect to the related parties provision.

Analysis. We find that appropriate circumstances do not exist to exclude Honda Power from the domestic industry. Honda Power is one of only two domestic producers of SVSEs, and it accounted for *** percent of domestic production in 2019; it *** the petitions.⁵⁷ Honda Power and its related importer, American Honda, imported *** engines in 2017, *** engines in 2018, and *** engines in 2019; the ratio of Honda Power and American Honda's subject imports to Honda Power's domestic production was *** percent in 2017, *** percent in 2018, and *** percent in 2019.⁵⁸ Honda Power and American Honda state that they import subject merchandise because "***".⁵⁹

The *** ratio of Honda Power/American Honda's subject imports to Honda Power's domestic production suggests that the primary interest of Honda Power lies in domestic production rather than importation. Further, there is no indication that its *** quantity of imports of the subject merchandise shielded it from subject imports to any significant degree or that it derived any benefit from its corporate relationships with importer American Honda or subject producer Jailing. Accordingly, for the preliminary phase of these investigations, we find that appropriate circumstances do not exist to exclude Honda Power from the domestic industry.

⁵⁴ B&S Post-Conference Brief, Exhibit 1 at 15-16.

⁵⁵ B&S Post-Conference Brief, Exhibit 1 at 15-16.

⁵⁶ B&S Post-Conference Brief, Exhibit 1 at 17.

⁵⁷ CR/PR at Table III-1.

⁵⁸ CR/PR at Table III-8.

⁵⁹ CR/PR at Table VI-3.

V. Reasonable Indication of Material Injury by Reason of Subject Imports⁶⁰

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines 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 imports under investigation.⁶¹ In making this determination, the Commission must consider the volume of subject 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 U.S. production operations.⁶² The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁶³ In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁶⁴ 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.”⁶⁵

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is “materially injured or threatened with material injury by reason of” unfairly traded imports,⁶⁶ it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.⁶⁷ In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that

⁶⁰ Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petitions shall generally be deemed negligible. 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i). The exceptions to this general rule are not applicable here.

Subject imports from China accounted for *** percent of total imports of SVSEs by quantity based on importer questionnaire data in the 12-month period (March 2019 through February 2020) preceding the filing of the petitions. CR/PR at IV-7 and Table IV-4 (as revised). The subject import volumes are the same in the countervailing duty investigation as in the antidumping duty investigation. We therefore find that subject imports from China are not negligible for purposes of these antidumping and countervailing duty investigations.

⁶¹ 19 U.S.C. §§ 1671b(a), 1673b(a).

⁶² 19 U.S.C. § 1677(7)(B). 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).

⁶³ 19 U.S.C. § 1677(7)(A).

⁶⁴ 19 U.S.C. § 1677(7)(C)(iii).

⁶⁵ 19 U.S.C. § 1677(7)(C)(iii).

⁶⁶ 19 U.S.C. §§ 1671b(a), 1673b(a).

⁶⁷ *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’g*, 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.⁶⁸

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.⁶⁹ In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.⁷⁰ Nor does

⁶⁸ The Federal Circuit, in addressing the causation standard of the statute, observed that “[a]s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred ‘by reason of’ the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” See also *Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

⁶⁹ SAA at 851-52 (“[T]he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or 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”); accord *Mittal Steel*, 542 F.3d at 877.

⁷⁰ SAA at 851-52 (“[T]he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345 (“[T]he Commission need not isolate the injury caused by other factors from injury caused by unfair imports Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“[t]he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); see also *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “[i]f an alleged other factor is found not to have or threaten to have (Continued...)

the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.⁷¹ It is clear that the existence of injury caused by other factors does not compel a negative determination.⁷²

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports.”⁷³ The Commission ensures that it has “evidence in the record” to “show that the harm occurred ‘by reason of’ the LTFV imports,” and that it is “not attributing injury from other sources to the subject imports.”⁷⁴ The Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”⁷⁵

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial

injurious effects to the domestic industry, *i.e.*, it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), *citing Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

⁷¹ S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

⁷² *See Nippon Steel Corp.*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

⁷³ *Mittal Steel*, 542 F.3d at 876 & 78; *see also id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission’s causation analysis as comports with the Court’s guidance in *Mittal*.

⁷⁴ *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 877-79. We note that one relevant “other factor” may involve the presence of significant volumes of price-competitive nonsubject imports in the U.S. market, particularly when a commodity product is at issue. In appropriate cases, the Commission collects information regarding nonsubject imports and producers in nonsubject countries in order to conduct its analysis.

⁷⁵ *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 (“*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

evidence standard.⁷⁶ Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.⁷⁷

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Demand Conditions

U.S. demand for SVSEs is driven by demand for downstream products, such as walk-behind mowers, pressure washers and other power equipment. Demand for these downstream products is dependent on demand for residential landscaping services, which is driven by new and existing home sales.⁷⁸

According to *** overall U.S. shipments of consumer gasoline-powered walk-behind mowers declined from 2017 to 2019. New home construction increased from January 2017 to December 2019 but existing home sales declined.⁷⁹ Increased demand for electric-powered mowers has been a factor in decreased demand for gasoline-powered walk-behind mowers, and in turn, SVSEs.⁸⁰ Retailers can have an impact on demand for SVSEs because they decide which mowers and engines are promoted and can influence the engine selection for specific mowers.⁸¹

Firms provided mixed responses on U.S. demand trends for SVSEs since January 2017: one U.S. producer and four importers reported that demand had increased, three importers reported that there had been no change; one U.S. producer and three importers reported that demand had decreased; and two importers reported that demand had fluctuated.⁸²

⁷⁶ We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

⁷⁷ *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, citing *U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 (“The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.”).

⁷⁸ CR/PR at II-7-9. The market for SVSEs is seasonal. *Id.* at II-8. “OEMs generally make most of their engine purchases in early winter, and consumers make most of their lawn mower purchases in spring and early summer.” *Id.* See also Section V.B.3., below (discussing seasonality).

⁷⁹ CR/PR at II-9-10 and Figure II-2.

⁸⁰ Based on ***, electric walk-behind mower shipments experienced growth of *** percent in 2018 and *** percent in 2019. CR/PR at II-9 n.17.

⁸¹ CR/PR at II-1.

⁸² CR/PR at Table II-5. B&S contends that demand for SVSEs has decreased in part due to the increased use of professional landscape services, and the loss of critical outlets for its products due to original equipment manufacturer (“OEM”) Husqvarna exiting the U.S market for walk-behind mowers and the bankruptcy of Sears, which traditionally had been an important retailer and promoter of walk-behind mowers. B&S Post-Conference Brief at 48, Exhibit 1 at 7; B&S Post-Conference Brief Errata Submission, Exhibit 7 at 4. MTD also reports that consumers are increasingly turning to professional landscaping services. MTD Post-Conference Brief at 11.

Apparent U.S. consumption for SVSEs declined throughout the POI from *** units in 2017 to *** units in 2018, and *** units in 2019, measured in quantity.⁸³

2. Supply Conditions

The U.S. SVSEs market was supplied by the domestic industry, subject imports, and nonsubject imports over the POI. The domestic industry held the largest share of the U.S. SVSE market over the POI.⁸⁴ It is a highly concentrated industry, consisting of only B&S and Honda Power, with B&S accounting for *** percent) and Honda Power accounting for *** percent) of U.S. production of SVSEs in 2019.⁸⁵ B&S reports that *** than B&S.⁸⁶

There were some structural changes to the industry over the POI. In August 2019, B&S announced that it was closing its Murray, Kentucky SVSE plant and consolidating those operations into its Poplar Bluff, Missouri plant. Meanwhile, Honda plans to expand its SVSE production; it purchased tooling, machining centers, and an assembly line in order to produce a new SVSE model in 2020.⁸⁷

The domestic industry's reported capacity was stable at *** units throughout the POI.⁸⁸ The domestic industry's capacity utilization was *** percent in 2017, *** percent in 2018, and *** percent in 2019.⁸⁹ Domestic producers' shipments accounted for *** percent of apparent U.S. consumption in 2017, *** percent in 2018, and *** percent in 2019.⁹⁰

Subject imports held the second-largest share of the market over the POI.⁹¹ *** and *** collectively accounted for *** percent of subject imports in 2019.⁹² Subject imports accounted for *** percent of apparent U.S. consumption by quantity in 2017, *** percent in 2018, and *** percent in 2019.⁹³

Nonsubject imports were not in the U.S. market in 2017; they accounted for *** of apparent U.S. consumption in 2018 and *** percent in 2019. *** imported all of the nonsubject imports in 2019.⁹⁴ These imports were all from Japan.⁹⁵

⁸³ CR/PR at Table IV-5. Thus apparent U.S. consumption (measured in quantity) declined by *** percent over the POI.

⁸⁴ CR/PR at Table IV-5.

⁸⁵ CR/PR at Table III-1.

⁸⁶ CR/PR at II-1.

⁸⁷ CR/PR at Table III-3.

⁸⁸ CR/PR at Table III-4.

⁸⁹ CR/PR at Table III-4. Thus, the domestic industry's capacity utilization declined by *** percentage points over the POI.

⁹⁰ CR/PR at Table IV-5. Thus, domestic producers' share of apparent U.S. consumption declined by *** percentage points over the POI.

⁹¹ CR/PR at Table IV-5.

⁹² CR/PR at Table IV-1.

⁹³ CR/PR at Table IV-5. Thus, subject imports' share of apparent U.S. consumption declined overall by *** percentage points during the POI but increased by *** percentage points from 2017 to 2018.

3. Substitutability and Other Conditions

Based on the record, we find that subject imports and the domestic like product are moderately to highly substitutable, subject to variations in features. Factors limiting substitutability include engine features and specifications, supplier relationships, and the importance of having multiple sources.⁹⁶

U.S. producer *** reported that SVSEs from the United States and China were always interchangeable whereas U.S. producer *** reported that they were frequently interchangeable. Most U.S. importers reported that they were frequently interchangeable.⁹⁷

U.S. producer *** does not agree with *** most responding importers on the importance of non-price factors in purchasing SVSEs from the United States versus from China. *** reported that such differences were never significant whereas *** 10 of 13 responding importers reported that such differences were always or frequently significant.⁹⁸ Purchasers responding to the Commission's lost sales/lost revenue survey were asked to identify the main factors that their firm considered in purchasing decisions for SVSEs and they identified the following major factors: quality, reliability, ***, supply consistency, price, cost, total value proposition to the customer, access to innovations, and the ability to use their own brand.⁹⁹ Accordingly, we find that price is one of several important factors in purchasing SVSEs.

SVSEs are primarily sold to OEMs to produce walk-behind mowers and other power equipment.¹⁰⁰ *** of U.S. producer shipments and U.S. importer shipments of unmounted engines are sold to OEMs, with a small share sold to distributors or dealers.¹⁰¹ Most SVSEs are currently sold to two OEMs (MTD and Toro), and previously, Husqvarna.¹⁰² Qualifying a SVSE for an OEM ***.¹⁰³ SVSEs are typically produced-to-order for the customer and direct substitutes for SVSEs are limited.¹⁰⁴

The market for SVSEs is seasonal based on the demand for landscape services for residential lawns.¹⁰⁵ Price negotiations generally take place in the first half of the year for

⁹⁴ CR/PR at Table IV-1.

⁹⁵ CR/PR at II-7.

⁹⁶ CR/PR at II-11-12.

⁹⁷ CR/PR at II-13 and Table II-7.

⁹⁸ CR/PR at II-14 and Table II-8.

⁹⁹ CR/PR at II-12 and Table II-6.

¹⁰⁰ CR/PR at II-4. CR/PR at Table II-2. In 2019, *** percent of U.S. producers' U.S. shipments of SVSEs and *** percent of U.S. importers' U.S. shipments of unmounted SVSEs went to OEMs. *Id.*

¹⁰¹ CR/PR at Table II-2.

¹⁰² CR/PR at II-2.

¹⁰³ CR/PR at II-12.

¹⁰⁴ CR/PR at II-11-12.

¹⁰⁵ CR/PR at II-8.

shipments that occur the following year.¹⁰⁶ OEMs generally make most of their engine purchases in early winter and consumers make most of their lawn mower purchases in spring and early summer.¹⁰⁷ Domestic producers primarily sell SVSEs through contracts; importers sell through contracts and spot sales.¹⁰⁸ SVSE prices are affected by engine size and output, expected service life, product innovation, brand, purchase volume, shipping and payment terms, and material input and labor costs.¹⁰⁹ MTD states that the domestic product is typically sold with warranty protection, with warranty claims managed by the domestic producer. In contrast, the cost of warranty protection is not included in subject import prices and the OEM purchaser manages the warranty claims on subject imports.¹¹⁰ U.S. producers and some U.S. importers provide quantity discounts.¹¹¹ B&S ***.¹¹² MTD has alleged that these payments are ***.¹¹³

SVSEs are required to comply with and be certified under the U.S. Environmental Protection Agency (“EPA”) air pollution control standards for small, non-road spark-ignition engines.¹¹⁴ SVSEs covered by the scope of these investigations are almost all EPA Class I engines, which are defined as “nonhandheld equipment engines greater than or equal to 100 cc and less than 225 cc in displacement.”¹¹⁵

Raw materials accounted for *** percent of the cost of goods sold (“COGS”) for domestically produced SVSEs in 2019.¹¹⁶ SVSEs are produced from machined cast iron and aluminum parts; therefore, the section 232 tariffs on steel and aluminum during the POI may have affected raw material costs.¹¹⁷ *** U.S. producers reported that the section 232 tariffs had caused raw material costs to fluctuate; four U.S. importers reported that they caused raw material costs to increase and seven U.S. importers reported that there had been no change in raw material costs due to these tariffs.¹¹⁸

Additional duties pursuant to section 301 of the Trade Act of 1974 were imposed on certain subject SVSE imports in August and September of 2018.¹¹⁹ MTD filed exclusion requests

¹⁰⁶ CR/PR at V-3-4.

¹⁰⁷ CR/PR at II-8.

¹⁰⁸ CR/PR at V-5.

¹⁰⁹ CR/PR at V-3.

¹¹⁰ CR/PR at II-15. MTD Post-Conference Brief at 6-7, 20.

¹¹¹ CR/PR at V-5.

¹¹² CR/PR at V-5 n.14.

¹¹³ MTD Post-Conference Brief at 24-25. B&S strongly rejects MTD’s negative characterizations of these payments. B&S Post-Conference Brief at 21.

¹¹⁴ Title 40, Chapter I, Subchapter U, Part 1054 of the Code of Federal Regulations.

¹¹⁵ CR/PR at I-7, I-10-11.

¹¹⁶ CR/PR at V-1 and Table V1-1.

¹¹⁷ CR/PR at V-1.

¹¹⁸ CR/PR at V-2 and Table V-1.

¹¹⁹ Most of the SVSE imports from China that were subject to the section 301 tariffs had additional duties of 25 percent imposed in August and September 2018. However, SVSEs imported as mounted engines became subject to additional duties of 7.5 percent in September 2019. CR/PR at I-8-9.

with the Office of the U.S. Trade Representative (“USTR”) related to these section 301 duties on SVSEs and USTR granted an exclusion from these duties in September 2019.¹²⁰ *** U.S. producers and six of 12 responding importers reported that the section 301 tariffs had an impact on the SVSEs market. *** reported that the section 301 tariffs caused Chinese supply of SVSEs to fluctuate, four U.S. importers reported that there was no change in Chinese supply of SVSEs due to these tariffs, and four U.S. importers reported that the section 301 tariffs caused the Chinese supply of SVSEs to decrease.¹²¹ *** stated that the section 301 duties initially caused subject imports to decline but that imports increased after the exclusions were granted to MTD. MTD reported that the section 301 duties caused the cost of imported components from China to increase and that U.S. producers had raised their engine prices to cover these increased costs.¹²²

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”¹²³

Subject imports increased from *** units in 2017 to *** units in 2018 before decreasing to *** units in 2019. Thus, the volume of subject imports increased by *** percent from 2017 to 2018 before decreasing by *** percent from 2018 to 2019.¹²⁴ Subject imports accounted for more than 20 percent of the U.S. market for SVSEs throughout the POI. Subject imports accounted for *** percent of apparent U.S. consumption in 2017, *** percent in 2018, and *** percent in 2019.¹²⁵ The lower subject import volume and market share in 2019 compared to 2018 corresponded to the imposition of the section 301 duties in late 2018; USTR has subsequently granted exclusions to the section 301 duties and the petitioner presented evidence that subject imports have increased following these exclusions.¹²⁶

¹²⁰ CR at 1-8-9, II-3; B&S Post-Conference Brief at 2, Exhibit 6. There were a series of exclusions from the section 301 tariffs in July, September, and October 2019; MTD’s requested exclusions for articles imported under the main HTS statistical reporting number for SVSEs, 8407.90.1010, were granted in September 2019. Most SVSEs that were subject to the section 301 tariffs were excluded from them in 2019 pursuant to MTD’s request. However, most power equipment imported with an SVSE have not been excluded from the tariffs; power washers have been excluded from the tariffs. EDIS Document 709331; B&S Post-Conference Brief at 2, Exhibit 6.

¹²¹ CR/PR at II-3 and Table II-1.

¹²² CR/PR at II-4.

¹²³ 19 U.S.C. § 1677(7)(C)(i).

¹²⁴ CR/PR at IV-2 and Table IV-2.

¹²⁵ CR/PR at Tables IV-5, C-1.

¹²⁶ B&S Post-Conference Brief, Exhibit 4 (showing an increase in subject imports under statistical reporting number 8407.90.1010 after September 2019 and that these imports were higher in the three month period December 2019 to February 2020 than in December 2018 to February 2019).

For the purposes of these preliminary investigations, we find that the volume of subject imports, and the increase in the volume of subject imports from 2017 to 2018, are significant, both in absolute terms and relative to consumption in the United States.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

- (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
- (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.¹²⁷

As discussed in section V.B.3 above, we find that subject imports and the domestic like product are moderately-to-highly substitutable, subject to variations in features, and that price is one of several important purchasing factors for SVSEs.

We have examined several sources of data in our underselling analysis, including pricing data, import purchase cost data, data from lost sales/lost revenue purchaser survey responses, and other data on the record. The Commission collected quarterly f.o.b. pricing data on sales of three SVSE products shipped to unrelated U.S. OEM customers during the POI.¹²⁸ *** U.S. producers, ***, and two importers, ***, provided usable pricing data for sales of the requested products.¹²⁹ No importers reported pricing data for all products for all quarters.¹³⁰ The pricing data reported by these firms accounted for approximately *** percent of the U.S. producers' U.S. shipments of SVSEs in 2019 and *** percent of unmounted subject imports.¹³¹ *** provided pricing data for *** pricing products and ***¹³² reported data for *** only.¹³³ We note that the importer pricing data *** submitted for product 3 are prices for commercial SVSEs ***.¹³⁴ Domestic sales prices do not include commercial SVSEs as there is no U.S. production of commercial SVSEs. Given these circumstances, we have primarily analyzed our

¹²⁷ 19 U.S.C. § 1677(7)(C)(ii).

¹²⁸ CR/PR at V-6. The three pricing products are:

Product 1—Vertical Shaft Engine, Air-Cooled, Single Cylinder, Carbureted, 125-140cc Displacement, Unmounted.

Product 2— Vertical Shaft Engine, Air-Cooled, Single Cylinder, Carbureted, 141-155cc Displacement, Unmounted.

Product 3— Vertical Shaft Engine, Air-Cooled, Single Cylinder, Carbureted, 156-170cc Displacement, Unmounted.

¹²⁹ CR/PR at V-6.

¹³⁰ CR/PR at V-6 n.15.

¹³¹ CR/PR at V-6.

¹³² We have referred to Honda Power and American Honda collectively as “Honda” with respect to our pricing data as ***. CR/PR at V-1.

¹³³ CR/PR at V-6.

¹³⁴ CR/PR at Note to Table V-4.

underselling/overselling data with *** importer pricing data for product 3 excluded as we consider these data more probative for our analysis.

These pricing data show that subject imports undersold the domestic like product in *** out of *** quarterly comparisons (or *** percent), at margins ranging between *** and *** percent, and an average underselling margin of *** percent. Subject imports oversold the domestic like product in the remaining *** quarterly comparisons (or *** percent) at margins ranging between *** and *** percent, and an average overselling margin of *** percent.¹³⁵ The available data also reflect predominant underselling by volume, with *** units of subject imports associated with instances of underselling, as compared to *** units of subject imports associated with instances of overselling. Thus, *** percent of the quantity of subject imports covered by the Commission's pricing data was sold at an average price that was less than that of the comparable domestic product.¹³⁶

The Commission also collected import purchase cost data for the same three pricing products from firms that imported SVSE engines from China for use in the production of their own downstream products.¹³⁷ Four importers, ***, reported usable import purchase cost data, although not all firms reported data for all products for all quarters.¹³⁸ Purchase cost data reported by these firms accounted for *** percent of subject imports of unmounted SVSEs from China in 2019.¹³⁹ As noted above, the subject import purchase cost data *** submitted for product 3 are prices for imported commercial SVSEs that are considerably higher-priced than its submitted data for its domestic sales of product 3 and no U.S. production of commercial SVSEs exists.¹⁴⁰ Given these circumstances, we have primarily analyzed the purchase cost data with *** import data for product 3 excluded as we consider these data more probative for our analysis.

Based on the purchase cost data obtained by the Commission, with *** data excluded, landed duty-paid costs for subject imports were below the sales price for U.S. produced SVSEs

¹³⁵ CR/PR at V-17 and Table V-6. If *** importer pricing data on product 3 are included, subject imports undersold the domestic like product in *** out of *** quarterly comparisons (or *** percent), at margins ranging between *** and *** percent, and an average underselling margin of *** percent. Subject imports oversold the domestic like product in the remaining *** quarterly comparisons (or *** percent) at margins ranging between *** and *** percent, and an average overselling margin of *** percent. CR/PR at Table V-6.

¹³⁶ Calculated from CR/PR at V-17 and Table V-6. If *** importer pricing data on pricing product 3 are included, the available data also reflect predominant underselling by volume, with *** units of subject imports associated with instances of underselling, as compared to *** units of subject imports associated with instances of overselling. Thus, *** percent of the quantity of subject imports covered by the Commission's pricing data was sold at an average price that was less than that of the comparable domestic product if *** importer pricing data on pricing product 3 are included in the data. CR/PR at Table V-6.

¹³⁷ CR/PR at V-6.

¹³⁸ CR/PR at V-6 & n.15.

¹³⁹ CR/PR at V-6.

¹⁴⁰ CR/PR at Note to Table V-4.

in all 32 quarterly comparisons involving *** units of subject imports, at price-cost differentials ranging from *** to *** percent, with an average price-cost differential of *** percent.¹⁴¹

We recognize that the import purchase cost data may not reflect the total cost of importing and therefore requested that direct importers provide additional information regarding the costs and benefits of directly importing SVSEs. *** of the four importers that reported purchase cost data reported that they incurred additional costs beyond landed duty-paid costs by importing SVSEs rather than purchasing from a U.S. producer, or U.S. importer, while *** reported that they did not incur additional costs.¹⁴² *** reported that its additional cost to import was *** percent of the landed duty-paid value and *** reported that its additional cost to import was *** percent of the landed duty-paid value.¹⁴³ *** estimated that it saved *** percent of the purchase price of SVSEs from a U.S. importer by directly importing SVSEs and *** estimated that it saved *** percent of the purchase price of SVSEs from a U.S. importer by directly importing SVSEs, even after including the additional costs incurred by these firms.¹⁴⁴ The average price-cost differential between the import purchase costs and prices for the domestic like product was *** percent (with *** data excluded).¹⁴⁵ This suggests that the purchase costs for subject imports were lower than the prices for the domestic like product on average, even if the reported additional costs to import subject SVSEs *** were added.¹⁴⁶

We have also considered responses by purchasers to the Commission's lost sales/lost revenue questionnaire survey. B&S reported substantial lost sales and lost revenue.¹⁴⁷

¹⁴¹ CR/PR at Table V-7. If *** data are included, landed duty-paid costs for subject imports were below the sales price for U.S. produced SVSEs in 31 out of 32 quarterly comparisons involving *** units of subject imports, at price-cost differentials ranging from *** to *** percent, and with an average cost-price differential of *** percent; they were above the sales price for U.S. produced SVSEs in the remaining quarterly comparison involving *** units of subject imports at a price-cost differential of *** percent. *Id.*

¹⁴² CR/PR at V-13 n.20.

¹⁴³ CR/PR at V-13. ***. *Id.*

¹⁴⁴ ***. Two of the four importers *** reporting useable import cost data indicated that they compare costs of importing to the cost of purchasing from a U.S. producer in determining whether to import SVSEs, none of these four importers compares costs to purchasing from a U.S. importer, and two importers (***) do not compare costs of purchasing from either U.S. producers or importers. CR/PR at V-13.

¹⁴⁵ It was *** percent with *** data included. CR/PR at Table V-7.

¹⁴⁶ Firms were asked whether the cost (both excluding and including additional costs) of SVSEs they imported are lower than the price of purchasing SVSEs from a U.S. producer or importer. *** reported that the costs were lower both excluding and including additional costs. *** reported that the costs were lower excluding additional costs but not when including additional costs. MTD stated that it incurs the following costs on its imports from Zongshen that it does not incur when purchasing from U.S. producers: warranty costs; product development costs; and testing, certification, quality control, and regulatory compliance costs. *** reported that import costs were not lower even excluding additional costs. CR/PR at V-13-14.

¹⁴⁷ *** reported that it lost sales or revenue to *** firms. It reported that it lost sales and revenue with purchaser ***, that it lost sales with purchaser ***, and that it lost revenue with (Continued...)

Purchasers reported a *** percentage point increase in their share of purchases and imports of subject imports from 2017 to 2019 and a *** percentage point decline in their share of purchases of the domestic product.¹⁴⁸ Three of the four purchasers responding to the Commission’s survey reported that they had purchased subject imports rather than the domestic like product. While all three of these purchasers reported that subject import prices were lower than those for domestically produced SVSEs, none of the purchasers reported that price was a primary reason for their decision to purchase subject imports rather than the domestic like product. Purchasers identified ***, the ***, access to innovations, and the ***¹⁴⁹ as non-price reasons for purchasing subject imports rather than the domestic like product.¹⁵⁰

We have considered these data in light of other record evidence that are inconsistent with the stated non-price reasons for purchasing subject imports instead of the domestic like product. B&S provides ***. This letter also states that comparable engines are available from other suppliers at lower prices; B&S reports that MTD subsequently confirmed that these other suppliers were Chinese producers.¹⁵¹ MTD’s Exclusion Request also highlights the importance of keeping costs low for the mower manufacturer; it states that “the cost of components is essential to the company’s ability to have and maintain an edge.”¹⁵²

After considering all of the record evidence, we find, for purposes of these preliminary determinations, that there has been significant price underselling by the subject imports and this underselling has led to lost sales for the domestic industry and lost market share for the domestic industry from 2017 to 2018.¹⁵³

We have also examined available data on price trends. The domestic industry’s prices for two of the three pricing products generally increased during the POI. Domestic prices fluctuated within a narrow range in 2017 and 2018; in 2019, domestic prices for products 1 and 2 increased and prices for product 3 decreased.¹⁵⁴ U.S. producer prices for products 1 and 2 increased by *** percent and *** percent, respectively, over the POI; U.S. producer prices for

purchaser ***. *** reported that its lost sales totaled *** and that its lost revenues totaled \$***. CR/PR at V-19-20 and n.24.

¹⁴⁸ CR/PR at Table V-8.

¹⁴⁹ In any final phase of these investigations, we intend to request information on what firms consider when they are evaluating the “value proposition” with respect to their sourcing decisions in the U.S. SVSE market.

¹⁵⁰ CR/PR at V-20 and Table V-9. In addition, of the four responding purchasers, one (***) reported that U.S. producers had not reduced prices in order to compete with lower-priced imports from China and three reported that they did not know. CR/PR at V-22.

¹⁵¹ B&S Errata to Post-Conference Brief, Exhibit 7 at 1-3, 12 & Attachment.

¹⁵² B&S Post-Conference Brief, Exhibit 6 at 3.

¹⁵³ As explained above, the market share of subject imports increased from *** percent in 2017 to *** percent in 2018, a *** percentage points market share gain, before declining to *** percent in 2019 after imposition of the section 301 tariffs in August 2018. We intend in any final phase of these investigations to examine this issue further, particularly in light of the section 301 exclusions granted for SVSEs in late 2019.

¹⁵⁴ CR/PR at V-15.

product 3 decreased by *** percent.¹⁵⁵ U.S. importer subject import prices (with Honda's data for product 3 excluded) for products 2 and 3 decreased by *** percent and *** percent, respectively, over the POI.¹⁵⁶ Purchase cost data for subject imports (with Honda's data for product 3 excluded) for products 1, 2, and 3 decreased by *** percent, *** percent, and *** percent, respectively, over the POI.¹⁵⁷

We also have considered whether the domestic industry's prices were suppressed during the POI. The industry's ratio of COGS to net sales increased over the POI; it was *** percent in 2017, *** percent in 2018, and *** percent in 2019.¹⁵⁸ The industry's unit COGS increased by *** percent over the POI while the average unit values ("AUVs") of the domestic industry's U.S. shipments increased by *** percent, from \$*** to \$***.¹⁵⁹ This suggests the industry was not fully able to pass through its cost increase, and petitioner contends that the industry was constrained from raising prices further by the subject imports.¹⁶⁰ These increases occurred, however, as apparent U.S. consumption decreased by *** percent over the POI, which would make it less likely that the domestic industry would be able to raise its prices to cover all of its costs.¹⁶¹ Further, the domestic industry argued that it was unable to raise its prices when subject imports declined in 2019 due to the fact that its contracts were negotiated the prior year when subject imports were increasing and not subject to the section 301 tariff.¹⁶² In any final phase of these investigations, we intend to examine further whether subject imports have had the effect of suppressing prices to a significant degree.

In conclusion, given the significant underselling that led to lost sales and lost revenues for the domestic industry, for purposes of the preliminary phase of these investigations we find that subject imports have had adverse price effects.

¹⁵⁵ CR/PR at Table V-5.

¹⁵⁶ CR/PR at Table V-5. There were no U.S. importer subject import prices for product 1. If *** pricing data for product 3 are included, U.S. importer subject import prices for product 3 increased by *** percent. *Id.*

¹⁵⁷ CR/PR at Table V-5. If Honda's purchase cost data for product 3 are included, subject import purchase cost data decreased by *** percent over the POI. *Id.*

¹⁵⁸ CR/PR at Table VI-1. Thus, the domestic industry's ratio of COGS to net sales increased by *** percentage points over the POI.

¹⁵⁹ CR/PR at Tables III-6 and C-1. The industry's total COGS increased by \$*** per unit from 2017 to 2019 while the AUV of its U.S. shipments increased by \$*** per unit and its net sales AUV increased by \$*** per unit. CR/PR at Table C-1.

¹⁶⁰ B&S Post-Conference Brief at 20-21.

¹⁶¹ CR/PR at Table C-1. Apparent U.S. consumption decreased by *** percent from 2017 to 2018, and decreased by *** percent from 2018 to 2019. Thus, *** of the decrease occurred in the last year of the POI.

¹⁶² B&S Post-Conference Brief at 21. In any final phase of these investigations, the Commission will further investigate the domestic producers' ability to respond to changes in production costs.

E. Impact of the Subject Imports¹⁶³

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, “shall evaluate all relevant economic factors which have a bearing on the state of the industry.” These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. 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.”¹⁶⁴

The domestic industry experienced *** throughout the POI. Its capacity was level at *** units from 2017 to 2019.¹⁶⁵ Production fell by *** percent from 2017 to 2019, from *** units in 2017, to *** units in 2018, and *** units in 2019.¹⁶⁶ Capacity utilization fell by *** percentage points during the POI, steadily decreasing from *** percent in 2017 to *** percent in 2018, and *** percent in 2019.¹⁶⁷

The domestic industry’s share of apparent U.S. consumption measured by quantity fell from *** percent in 2017 to *** percent in 2018 and *** percent in 2019, a decrease of *** percentage points over the POI.¹⁶⁸ U.S. producers’ U.S. shipments declined by *** percent from 2017 to 2019, from *** units in 2017 to *** units in 2018, and *** units in 2019.¹⁶⁹ Ending inventories for U.S. producers fell by *** percent from 2017 to 2019, from *** units in 2017 to *** units in 2018, and *** units in 2019.¹⁷⁰

The domestic industry’s employment indicia generally trended downward, although hourly wages and unit labor costs increased. The number of production-related workers (“PRWs”) fell by *** percent over the POI, from *** PRWs in 2017 to *** PRWs in 2018, and *** PRWs in 2019.¹⁷¹ Total hours worked decreased by *** percent from 2017 to 2019, from *** hours in 2017 to *** hours in 2018, and *** hours in 2019.¹⁷² Hours worked per PRW decreased from *** hours in 2017 to *** hours in 2018 and *** hours in 2019. Total wages

¹⁶³ In its notice initiating the antidumping duty investigation on SVSEs from China, Commerce reported estimated dumping margins ranging from 457.52 percent to 541.75 percent. CR/PR at I-6; *Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof From the People’s Republic of China: Initiation of Less-Than-Fair Value Investigation*, 85 Fed. Reg. 20670, 20673 (Dep’t Commerce, Apr. 14, 2020).

¹⁶⁴ 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

¹⁶⁵ CR/PR at Tables III-4.

¹⁶⁶ CR/PR at Tables III-4 and C-1.

¹⁶⁷ CR/PR at Tables III-4 and C-1.

¹⁶⁸ CR/PR at Tables IV-5 and C-1.

¹⁶⁹ CR/PR at Table III-6.

¹⁷⁰ CR/PR at Tables III-7 and C-1.

¹⁷¹ CR/PR at Tables III-9 and C-1.

¹⁷² CR/PR at Tables III-9 and C-1.

paid fell by *** percent from 2017 to 2019, from \$*** in 2017 to \$*** in 2018, and \$*** in 2019.¹⁷³ Hourly wages (dollars per hour) increased irregularly from \$*** in 2017 to \$*** in 2018 and \$*** in 2019. Productivity decreased by *** percent from 2017 to 2019; it was level at *** units per hour in 2017 and 2018 and then fell to *** units in 2019.¹⁷⁴ Unit labor costs (dollars per unit) increased irregularly by *** percent from 2017 to 2019; they were \$*** in 2017, \$*** in 2018, and \$*** in 2019.¹⁷⁵

Total net sales value fell by *** percent during the POI, from \$*** in 2017 to \$*** in 2018, and \$*** in 2019.¹⁷⁶ Total COGS fell by *** percent from 2017 to 2019, from \$*** in 2017 to \$*** in 2018, and \$*** in 2019.¹⁷⁷ As noted above, the industry's ratio of COGS to net sales increased overall by *** percentage points from 2017 to 2019; it was *** percent in 2017, *** percent in 2018 and *** percent in 2019.¹⁷⁸ Gross profit fell by *** percent from 2017 to 2019, from \$*** in 2017 to \$*** in 2018, and then \$*** in 2019.¹⁷⁹

The domestic industry experienced *** from 2017 to 2019; it had *** in 2017, *** in 2018, and *** in 2019.¹⁸⁰ The industry's operating income margin decreased overall by *** percentage points from 2017 to 2019; it was *** percent in 2017, *** percent in 2018, and *** percent in 2019.¹⁸¹ The industry's net income decreased overall from 2017 to 2019; it was *** in 2017, *** million in 2018, and *** in 2019.¹⁸²

Capital expenditures fell irregularly by *** percent, increasing from \$*** in 2017 to \$*** in 2018 before decreasing to \$*** in 2019.¹⁸³ Research and development expenses fell by *** percent during the POI, from \$*** in 2017 to \$*** in 2018, and to \$*** in 2019.¹⁸⁴ U.S. producers' total assets were \$*** in 2017, \$*** in 2018, and \$*** in 2019. Their operating return on assets was *** in 2017, *** percent in 2018 and *** percent in 2019.¹⁸⁵ *** reported *** of subject imports on investment and growth and development including ***. *** reported that it *** of subject imports on investment or growth and development.

As discussed above, a significant volume of low-priced subject imports that were moderately-to-highly substitutable with the domestic like product and that significantly undersold the domestic like product, gained sales at the expense of the domestic industry while the domestic industry was experiencing ***. The industry's production, U.S. shipments, and

¹⁷³ CR/PR at Tables III-9 and C-1.

¹⁷⁴ CR/PR at Tables III-9 and C-1.

¹⁷⁵ CR/PR at Tables III-9 and C-1.

¹⁷⁶ CR/PR at Tables VI-1 and C-1.

¹⁷⁷ CR/PR at Tables VI-1 and C-1.

¹⁷⁸ CR/PR at Tables VI-1 and C-1.

¹⁷⁹ CR/PR at Tables VI-1 and C-1.

¹⁸⁰ CR/PR at Tables VI-1 and C-1.

¹⁸¹ CR/PR at Tables VI-1 and C-1.

¹⁸² CR/PR at Tables VI-1 and C-1.

¹⁸³ CR/PR at Tables VI-6 and C-1.

¹⁸⁴ CR/PR at Tables VI-6.

¹⁸⁵ CR/PR at Table VI-7.

total net sales value declined over the POI at a faster rate than the decline in demand. The industry reduced its capital expenditures and research and development expenses, and announced the closure of its SVSE production facilities in Murray, Kentucky. As subject import volume increased from 2017 to 2018, subject imports gained *** percentage points of market share at the expense of the domestic industry which lost *** percentage points of market share. In 2019, after the imposition of the section 301 tariffs, subject import volume decreased but the domestic industry reports that it was unable to raise its prices because they were locked in under contracts that had been negotiated the prior year when the volume of subject imports was at its peak.¹⁸⁶ Given all of these circumstances we find a reasonable indication that due to unfair competition from subject imports, the domestic industry lost sales, and lost market share from 2017 to 2018, resulting in lower revenue than it would have realized otherwise, which was a factor in its deteriorating financial performance.

We have also considered whether there are other factors that may have had an adverse impact during the POI to ensure that we are not attributing injury from other factors to the subject imports. Respondents have argued that several factors may be responsible for any injury that the domestic industry has experienced. MTD and Toro both argue that non-price factors drive purchasing decisions for SVSEs, and that B&S's marketing and business decisions have caused them to seek alternative suppliers. As discussed below, B&S has countered these arguments and refutes the contention that non-price factors are driving purchasing decisions.

According to MTD, B&S does not offer its customers the innovative features available from Chinese suppliers and has failed to provide MTD with the innovations that it desires, such as vertical storage capabilities and lithium ion battery starting capabilities.¹⁸⁷ B&S counters that it provides SVSEs with a broad range of features, several of which are very innovative, that it offered SVSEs with vertical storage capability to MTD but MTD declined to purchase the engines due to their cost, and that B&S negotiated with MTD to provide SVSEs with lithium ion battery starting capabilities but that these negotiations stalled.¹⁸⁸

MTD and Toro also argue that they are reluctant to do business with B&S because it competes against them in the lawn mower market.¹⁸⁹ B&S maintains that it is not a major competitor in the lawn mower market, and that it does not compete against MTD and Toro at mass retailers.¹⁹⁰ MTD further argues that B&S's decisions to pay retailers to promote its

¹⁸⁶ The domestic industry has alleged it was unable to benefit from the imposition of the section 301 tariffs and raise its prices in 2019 because a substantial share of its sales were negotiated a year earlier, when the section 301 tariffs were not in effect. B&S Post-Conference Brief at 21. We intend to investigate further the impact of the section 301 tariffs on the SVSEs industry in any final phase of these investigations.

¹⁸⁷ MTD Post-Conference Brief at 7-8, MTD Testimony, Trumpler at 6.

¹⁸⁸ B&S Post-Conference Brief at 22, 31, Exhibit 1 at 6.

¹⁸⁹ MTD Testimony, Trumpler at 12. Toro Testimony, Buenz at 3.

¹⁹⁰ B&S Testimony, Rodgers at 6.

engines constitutes an unfair commercial practice that increases the cost of its engines.¹⁹¹ It charges that B&S's policy of labeling its engines with their power rating is unnecessary.¹⁹² B&S responds that it enters into contracts with retailers to promote its engines because retailers can influence which engine is used in a particular walk-behind mower.¹⁹³ It further explains that B&S does not pass along any additional costs for labeling and marketing its engines based on their power.¹⁹⁴ B&S also states that it is unaware of any problems with its warranty policies.¹⁹⁵

In any final phase of these investigations, we will further investigate the extent to which these non-price factors may influence purchasing decisions for SVSEs.

We have also considered trends in apparent U.S. consumption and nonsubject imports. Respondents attribute declines in U.S. shipments of SVSEs to increased demand for electric-powered walk-behind mowers.¹⁹⁶ Although decreased demand may have been a factor in the decrease in U.S. shipments over the POI, we observe that it cannot explain the domestic industry's loss of sales and market share to subject imports from 2017 to 2018. Respondents also argue that nonsubject imports increased over the POI and that they should be examined as an alternative cause of injury.¹⁹⁷ We observe that although nonsubject import volume increased from 2018 to 2019, nonsubject imports never accounted for more than *** percent of the U.S. market and their average unit values over the POI were considerably higher than the average unit values for the subject imports.¹⁹⁸ Nonsubject imports also do not explain the domestic industry's lost sales and market share in 2018, when nonsubject imports accounted for just *** percent of apparent U.S. consumption.¹⁹⁹

Accordingly, for purposes of these preliminary determinations, we conclude that subject imports had a significant adverse impact on the domestic industry.

VI. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of SVSEs from China that are allegedly sold in the United States at LTFV and subsidized by the government of China.

¹⁹¹ MTD Post-Conference Brief at 24-25. As noted, B&S strongly rejects MTD's negative characterization. B&S Post-Conference Brief at 21.

¹⁹² MTD Post-Conference Brief at 26.

¹⁹³ B&S Testimony, Rodgers at 7-9.

¹⁹⁴ B&S Post-Conference Brief, Exhibit 11 at 13-14.

¹⁹⁵ B&S Post-Conference Brief, Exhibit 7 at 4.

¹⁹⁶ MTD Post-Conference Brief at 10; Toro Post-Conference Brief at 12-13.

¹⁹⁷ Toro Post-Conference Brief at 11-12; MTD Post-Conference Brief, Exhibit 1 at 2.

¹⁹⁸ CR/PR at Table C-1.

¹⁹⁹ CR/PR at Table C-1.

Part I: Introduction

Background

These investigations result from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by Briggs & Stratton Corporation, Wauwatosa, Wisconsin, on March 18, 2020, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value (“LTFV”) imports of small vertical shaft engines (“SVSEs”)¹ from China. The following tabulation provides information relating to the background of these investigations.^{2 3}

Effective date	Action
March 18, 2020	Petitions filed with Commerce and the Commission; institution of Commission investigations (85 FR 16958, March 25, 2020)
April 8, 2020	Commission’s conference
April 7, 2020	Commerce’s notices of initiation of AD and CVD investigations (85 FR 20670 and 85 FR 20667, April 14, 2020)
May 1, 2020	Commission’s vote
May 4, 2020	Commission’s determinations
May 11, 2020	Commission’s views

Note: Due to the COVID-19 pandemic, the Commission did not hold an in-person conference. Rather, parties provided opening remarks and witness testimony through written submissions prior to the date above.

Section 771(7)(B) of the Tariff Act of 1930 (the “Act”) (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such

¹ See the section entitled “The subject merchandise” in Part I of this report for a complete description of the merchandise subject in this proceeding.

² Pertinent *Federal Register* notices are referenced in appendix A and may be found at the Commission’s website (www.usitc.gov).

³ A list of witnesses that participated in the conference via written submission is presented in appendix B of this report.

merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--⁴

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant. . . In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree. . . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—⁵

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the

⁴ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

⁵ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, and domestic like product. Part II of this report presents information on conditions of competition and other relevant economic factors. Part III presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. Parts IV and V present the volume of subject imports and pricing of domestic and imported products, respectively. Part VI presents information on the financial experience of U.S. producers. Part VII presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

Market summary

SVSEs are predominantly designed for and used in walk-behind lawn mowers. They are also used in pressure washers.⁶ The U.S. producers of SVSEs are Briggs & Stratton and Honda Power Equipment ("Honda Power"), while leading producers of SVSEs outside the United States include Chongqing Kohler Engines ("Kohler") and Chongqing Zongshen General Power Machine Co., Ltd. ("Zongshen") of China. The leading U.S. importers of SVSEs from China are ***. The leading importer of SVSEs from nonsubject countries (primarily Japan) is ***. U.S. purchasers of SVSEs are firms that manufacture walk-behind lawn mowers and other outdoor powered equipment; leading purchasers include MTD and Toro.

Apparent U.S. consumption of SVSEs totaled approximately *** units (\$***) in 2019. Currently, two firms are known to produce SVSEs in the United States. U.S. producers' U.S. shipments of SVSEs totaled *** units (\$***) in 2019 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from China totaled *** units (\$***) in 2019 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from nonsubject sources totaled *** units (\$***) in 2019 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent of apparent U.S. consumption by value.

⁶ Petition, p. 5.

Summary data and data sources

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of two firms that accounted for all U.S. production of SVSEs during 2019. U.S. import data are based on the usable questionnaire responses that were received from 13 companies that staff believes account for a substantial share of U.S. imports from China and nonsubject sources in 2019 under HTS statistical reporting numbers 8407.90.1010, 8433.11.0050, and 8433.11.0060. Chinese industry data are based on questionnaire response of two firms whose exports to the United States were equivalent to approximately *** percent of reported U.S. imports of SVSEs from China by quantity in 2019.

Previous and related investigations

The Commission completed the preliminary phase of a proceeding concerning certain vertical shaft engine between 225 and 999cc and parts thereof (“VSEs”) from China (Investigation Nos. 701-TA-637 and 731-TA-1471). On January 15, 2020, the Coalition of American Vertical Engine Producers (Kohler Co., Kohler, Wisconsin, and Briggs & Stratton Corporation, Wauwatosa, Wisconsin), filed petitions with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of VSEs from China and LTFV imports of VSEs from China. The products subject to these investigations are primarily provided for in subheadings 8407.90.10, 8407.90.90, 8409.91.50, and 8409.91.99 of the Harmonized Tariff Schedule of the United States (“HTS”). The Commission determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of VSEs that are alleged to be sold at LTFV and subsidized by the government of China. The Commission completed and filed its determinations in these preliminary investigations on March 2, 2020.⁷

VSEs subject to these related investigations are spark-ignited, single or multiple cylinder, air cooled, internal combustion, nonroad engines with vertical power take off shafts with a minimum displacement of 225 cubic centimeters (cc) and a maximum displacement of 999cc. VSEs covered by the scope in these related investigations also include subassemblies (unassembled or unfinished VSEs), but do not include engines with a displacement of 224cc or less, nor does it include engines with a horizontal shaft. VSEs are primarily used in riding lawn mowers and zero-turn radius lawn mowers, although engines meeting this physical description

⁷85 FR 13184, March 6, 2020.

may also be used in other non-hand-held outdoor power equipment. Engines less than 225cc are not suitable for riding lawn mowers, and therefore are different products.⁸⁹

Nature and extent of alleged subsidies and sales at LTFV

Alleged subsidies

On April 14, 2020, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on SVSEs from China.¹⁰ Commerce identified the following government programs in China:¹¹

- A. Government Provision of Goods and Services for Less Than Adequate Remuneration
 1. Provision of Unwrought Aluminum for Less Than Adequate Remuneration (LTAR)
 2. Provision of Pig Iron for LTAR
 3. Provision of Electricity for LTAR
 4. Provision of Steam Coal for LTAR
 5. Provision of Hot-Rolled Steel (HRS) for LTAR
 6. Provision of Land for LTAR to Encouraged Industries
- B. Preferential lending
 7. Government Directed Debt Restructuring in the Chinese Small Vertical Engine Industry
 8. Policy Loans to the Small Vertical Engine Industry
- C. Subsidies Under the State Capital Operating Budget
 9. Subsidies Under the State Capital Operating Budget
- D. Grant Programs
 10. Foreign Trade Development Fund Grants
 11. Export Assistance Grants
 12. Interest Payment Subsidies

⁸ USITC Publication No. 5034, March 2020, p. I-8.

⁹ MTD did note that it uses SVSEs in a small riding lawnmower that it calls the “mini-rider”; MTD, written testimony (Trumpler), p. 2.

¹⁰ 85 FR 20667, April 14, 2020.

¹¹ Certain Vertical Shaft Engines Between 99cc and up to 225cc, and Parts Thereof from the People’s Republic of China: Enforcement and Compliance Office of AD/CVD Operations Countervailing Duty Investigation Initiation Checklist, April 7, 2020.

13. GOC and Sub-Central Government Subsidies for the Development of Famous Brands and China World Top Brands
 14. State Key Technology Fund Grants
 15. Grants for Retiring Outdated Capacity/Industrial Restructuring
 16. Grants for Energy Conservation and Emission Reduction
- E. Income Tax and Direct Tax Programs
17. Income Tax Reduction for High and New Technology Enterprises (HNTEs)
 18. Income Tax Deduction for Research and Development Expenses Under the EITL
 19. Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment
 20. Income Tax Credits for Domestically Owned Companies Engaging in Research and Development
 21. Import Tariff and Value Added Tax (VAT) Exemptions on Imported Equipment in Encouraged Industries
 22. Refund for Enterprise Income Taxes on FIE Profits Reinvested in an Export-Oriented Enterprise
- F. Export Subsidies and Export Credit Insurance
23. Export Loans from Chinese State-Owned Banks
 24. Export Credit Insurance
 25. Export Seller's Credits
 26. Export Buyer's Credits

Alleged sales at LTFV

On April 14, 2020, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigations on SVSEs from China.¹² Commerce has initiated antidumping duty investigations based on estimated dumping margins for SVSEs from China that range from 457.52 percent to 541.75 percent.

¹² 85 FR 20670, April 14, 2020.

The subject merchandise

Commerce's scope

In the current proceeding, Commerce has defined the scope as follows:¹³

The merchandise covered by these investigations consists of spark-ignited, non-road, vertical shaft engines, whether finished or unfinished, whether assembled or unassembled, whether mounted or unmounted, primarily for walk-behind lawn mowers. Engines meeting this physical description may also be for other non-hand-held outdoor power equipment, including but not limited to, pressure washers. The subject engines are spark ignition, single-cylinder, air cooled, internal combustion engines with vertical power take off shafts with a minimum displacement of 99 cubic centimeters (cc) and a maximum displacement of up to, but not including, 225cc. Typically, engines with displacements of this size generate gross power of between 1.95 kilowatts (kw) to 4.75 kw.

Engines covered by this scope normally must comply with and be certified under Environmental Protection Agency (EPA) air pollution controls title 40, chapter I, subchapter U, part 1054 of the Code of Federal Regulations standards for small non-road spark-ignition engines and equipment. Engines that otherwise meet the physical description of the scope but are not certified under 40 CFR part 1054 and are not certified under other parts of subchapter U of the EPA air pollution controls are not excluded from the scope of this proceeding. Engines that may be certified under both 40 CFR part 1054 as well as other parts of subchapter U remain subject to the scope of this proceeding.

Certain small vertical shaft engines, whether or not mounted on non-hand-held outdoor power equipment, including but not limited to walk-behind lawn mowers and pressure washers, are included in the scope. However, if a subject engine is imported mounted on such equipment, only the engine is covered by the scope. Subject merchandise includes certain small vertical shaft engines produced in the subject country whether mounted on outdoor power equipment in the subject country or in a third country. Subject engines are covered whether or not they are accompanied by other parts.

For purposes of these investigations, an unfinished engine covers at a minimum a sub-assembly comprised of, but not limited to, the following components: crankcase, crankshaft, camshaft, piston(s), and connecting rod(s). Importation of these components together, whether assembled or unassembled, and whether or not accompanied by additional components such as a sump, carburetor spacer, cylinder head(s), valve train, or valve cover(s), constitutes an unfinished engine for purposes of this investigation. The inclusion of other products such as spark plugs fitted into the cylinder head or electrical

¹³ 85 FR 20670 and 85 FR 20667, April 14, 2020.

devices (e.g., ignition coils) for synchronizing with the engine to supply tension current does not remove the product from the scope. The inclusion of any other components not identified as comprising the unfinished engine subassembly in a third country does not remove the engine from the scope.

Tariff treatment

Based upon the scope set forth by Commerce, information available to the Commission indicates that the merchandise subject to these investigations are imported under 8407.90.1010 of the Harmonized Tariff Schedule of the United States. The engine subassemblies that are subject to these investigations are imported under HTS statistical reporting number 8409.91.9990. The mounted engines that are subject to these investigations are imported under HTS 8433.11.0050, 8433.11.0060, and 8424.30.9000. Engines subject to these investigations may also enter under HTS 8407.90.1020, 8407.90.9040, and 8407.90.9060. The 2020 general rate of duty is free for HTS subheadings 8407.90.10, 8433.11.00, 8424.30.90, and 8407.90.90, and 2.5 percent *ad valorem* for HTS subheading 8409.91.99. Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

Section 301 tariff treatment

Chinese products subject to these investigations were also subject to additional duties under Section 301 of the Trade Act of 1974. HTS 8407.90.10 and 8407.90.90 were included in the list of articles subject to the additional 25-percent duties effective August 23, 2018. HTS 8409.91.99 and 8424.30.90 were subject to additional duties effective September 24, 2018, with the additional duties currently at 25-percent. HTS 8433.11.00 was included in the list of articles subject to additional duties effective September 1, 2019, with the additional duties currently at 7.5-percent.

The following goods¹⁴ covered by DOC's scope are currently eligible for exclusion under the additional duties:

- Spark-ignition reciprocating or rotary internal combustion piston engines, to be installed in agricultural or horticultural machinery or equipment, each rated at less than 4,200 W (described in statistical reporting number 8407.90.1010).

¹⁴ 84 FR 37382, July 31, 2019; 84 FR 49607, September 20 2019; 84 FR 52557, October 2, 2019; 84 FR 57806, October 28, 2019.

- Spark-ignition rotary or reciprocating internal combustion piston engines to be installed in agricultural or horticultural machinery or equipment, 4,476 W or more but not more than 37.6 kW, each valued not over \$180 (described in statistical reporting number 8407.90.1020).
- Spark-ignition internal combustion piston engines, not elsewhere specified or included, 746 W or greater but not exceeding 4,476 W, with an engine displacement of not more than 430 cc (described in statistical reporting number 8407.90.9040).
- Spark ignition internal combustion engines (other than aircraft engines, other than marine propulsion engines, other than reciprocating piston engines of a kind used for the propulsion of vehicles of chapter 87, other than to be installed in agricultural or horticultural machinery or equipment and other than natural gas or LP engines), rated 746 W or greater but not exceeding 4,476 W, of a cylinder capacity not exceeding 220 cc (described in statistical reporting number 8407.90.9040).
- Spark-ignition reciprocating or rotary internal combustion piston engines, not elsewhere specified or included, each rated at 4,476 W or more but not exceeding 18.65 kW, with an engine displacement of not more than 690 cc (described in statistical reporting number 8407.90.9060).
- Spark ignition internal combustion engines (other than aircraft engines, other than marine propulsion engines, other than reciprocating piston engines of a kind used for the propulsion of vehicles of chapter 87, other than to be installed in agricultural or horticultural machinery or equipment and other than natural gas or LP engines), rated 4,476 W or greater but not exceeding 16.50 kW, of a cylinder capacity not exceeding 710 cc (described in statistical reporting number 8407.90.9060).
- Pressure washers (described in statistical reporting number 8424.30.9000).

The product

Description and applications

Description

The SVSEs subject to the scope of these investigations are spark ignition, single cylinder, air-cooled small vertical engines (figure I-1). The engine block is made of cast aluminum, with various components made of aluminum, steel, and cast iron.¹⁵ SVSEs may have a number of

¹⁵ Petition, p. 9.

optional features, such as vertical storage capability (without oil or gas leaks), no required oil changes (only refills), electric and other easier starting options, improved air filtration, pressure lubrication (which provides a better flow of oil to key components), ease of maintenance, and improved mufflers and reduced sound.¹⁶ Commercial SVSE may incorporate upgrades to increase durability and performance such as high performance pistons, higher compression engines, more steel components, and cast iron cylinder sleeves.¹⁷

Figure I-1
SVSE: Briggs and Stratton 125 to 140 cc engines



Source: Briggs and Stratton Website, https://www.briggsandstratton.com/na/en_us/product-catalog/engines/push-mower-engines/eseries-engines.html, retrieved April 15, 2020.

SVSEs must comply with and be certified to meet U.S. Environmental Protection Agency (EPA) air pollution control standards, with the most recent standards coming into effect in

¹⁶ Petitioner, written testimony (Rogers), pp. 3-4; MTD, written testimony (Trumpler), p. 7; Toro, written testimony (Hawley), p. 3; Honda Website, <https://engines.honda.com/models/model-detail/gsv-vertical>, retrieved April 20, 2020; Briggs and Stratton Website, https://www.briggsandstratton.com/na/en_us/support/videos/browse/benefits-of-engine-lubrication-in-a-single-cylinder-engine-from-briggs-and-stratton.html, https://www.briggsandstratton.com/na/en_us/product-catalog/engines/push-mower-engines/mow-n-stow-series-engines.html, https://www.briggsandstratton.com/na/en_us/product-catalog/engines/push-mower-engines/instart-series-engine.html, and https://www.briggsandstratton.com/na/en_us/product-catalog/engines/push-mower-engines/quiet-power-technology-series.html, retrieved April 20, 2020.

¹⁷ Respondent Toro's postconference brief, p. 8; emails from Donald Harrison, counsel to Honda, April 23, 2020 and April 24, 2020.

2012.¹⁸ SVSEs covered by the scope of these investigations are almost all EPA class I engines, which are defined as “nonhandheld equipment engines greater than or equal to 100 cc and less than 225 cc in displacement.”¹⁹ These regulations have specific requirements for residential, extended life residential (general purpose), and commercial SVSEs.²⁰ A commercial SVSE is one “that meets a 500-hour emissions qualification.”²¹ The engines must meet these standards over the full period of the useful life of the engine.²² The useful life is based on five years or the number of hours of operation, whichever comes first.²³ For class I engines, useful life is typically the number of engine operating hours specified in the regulations that most closely matches the expected median in-use life of the engine (table I-1).²⁴

Table I-1
SVSEs: EPA nominal useful life provisions for nonhandheld class I engines

Class	Residential	Extended life residential (or general purpose)	Commercial
Class I	125	250	500

Source: 40 C.F.R. §1054.107.

There are a number of different ways that engine power for SVSEs is rated, including displacement, torque, and kilowatts (kW).²⁵ Power measurements are typically done according to Society of Automotive Engineers (SAE) standards.²⁶ Displacement is the “intended swept volume of all the engine's cylinders. The swept volume of the engine is the product of the

¹⁸ Petition, p. 9; The Border Center Website, <https://www.bordercenter.org/smallengines.php>, retrieved April 13, 2020.

¹⁹ EPA class 1 engines also include horizontal shaft engines. EPA Website, <https://www.epa.gov/certification/small-nonroad-spark-ignition-engines>, retrieved April 15, 2020.

²⁰ 40 C.F.R. §1054.107.

²¹ Petitioner’s postconference brief, Exhibit 1, p. 19.

²² 40 C.F.R. §1054.103.

²³ 40 C.F.R. §1054.107.

²⁴ 40 C.F.R. §1054.107.

²⁵ Ratings may also be expressed as net power and gross power. “Net power values are taken with exhaust and air cleaner installed whereas gross power values are collected without these attachments. Actual gross engine power will be higher than net engine power and is affected by, among other things, ambient operating conditions and engine to engine variability.” Briggs and Stratton Website, https://www.briggsandstratton.com/na/en_us/support/faqs/browse/engine-horsepower-or-torque-value.html, retrieved April 20, 2020.

²⁶ Briggs and Stratton Website, https://www.briggsandstratton.com/na/en_us/support/faqs/browse/mower-power-measurement.html, retrieved April 20, 2020; Honda Website, <https://hondanews.com/en-US/releases/honda-gcv170-engine-specifications>, retrieved April 20, 2020.

internal cross-section area of the cylinders, the stroke length, and the number of cylinders.”²⁷ Torque is the amount of rotational power that can be created to, in the case of a lawn mower, turn the blades that cut the grass.²⁸

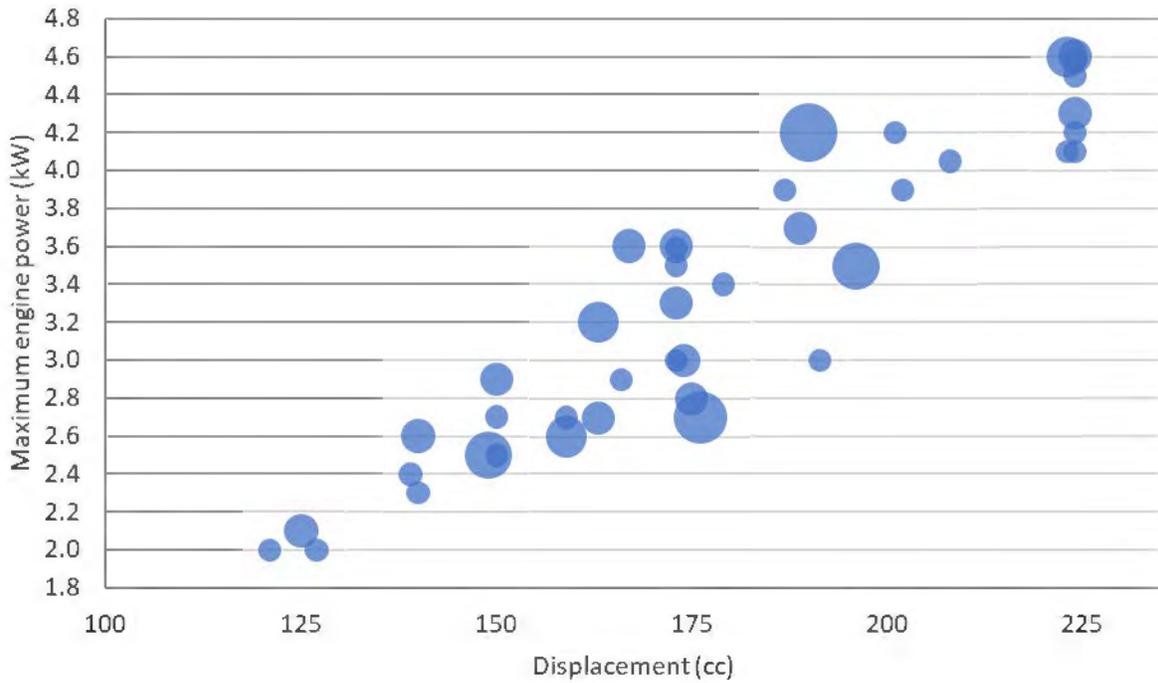
Subject SVSEs certified by the EPA for model year 2020 have displacements ranging from 121 cc to 224 cc. The maximum engine power of certified SVSEs range from 2.0 to 4.6 kW.²⁹ The size and displacement of EPA certified engines is shown in figure I-2. Figure I-3 shows the range of displacement and maximum engine power for residential, extended life residential, and commercial engines.

²⁷ 40 C.F.R. §1054.140.

²⁸ Williams, Diana K., “Torque Vs. Horsepower in Small Engine Lawn Mowers,” *San Francisco Chronicle*, <https://homeguides.sfgate.com/torque-vs-horsepower-small-engine-lawn-mowers-87440.html>, retrieved April 20, 2020; Briggs and Stratton Website, https://www.briggsandstratton.com/na/en_us/support/faqs/browse/mower-power-measurement.html, retrieved April 20, 2020.

²⁹ EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small NRSI Engine Certification Data (Model years: 2011 – Present), January 24, 2020, <https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment>, retrieved April 12, 2020.

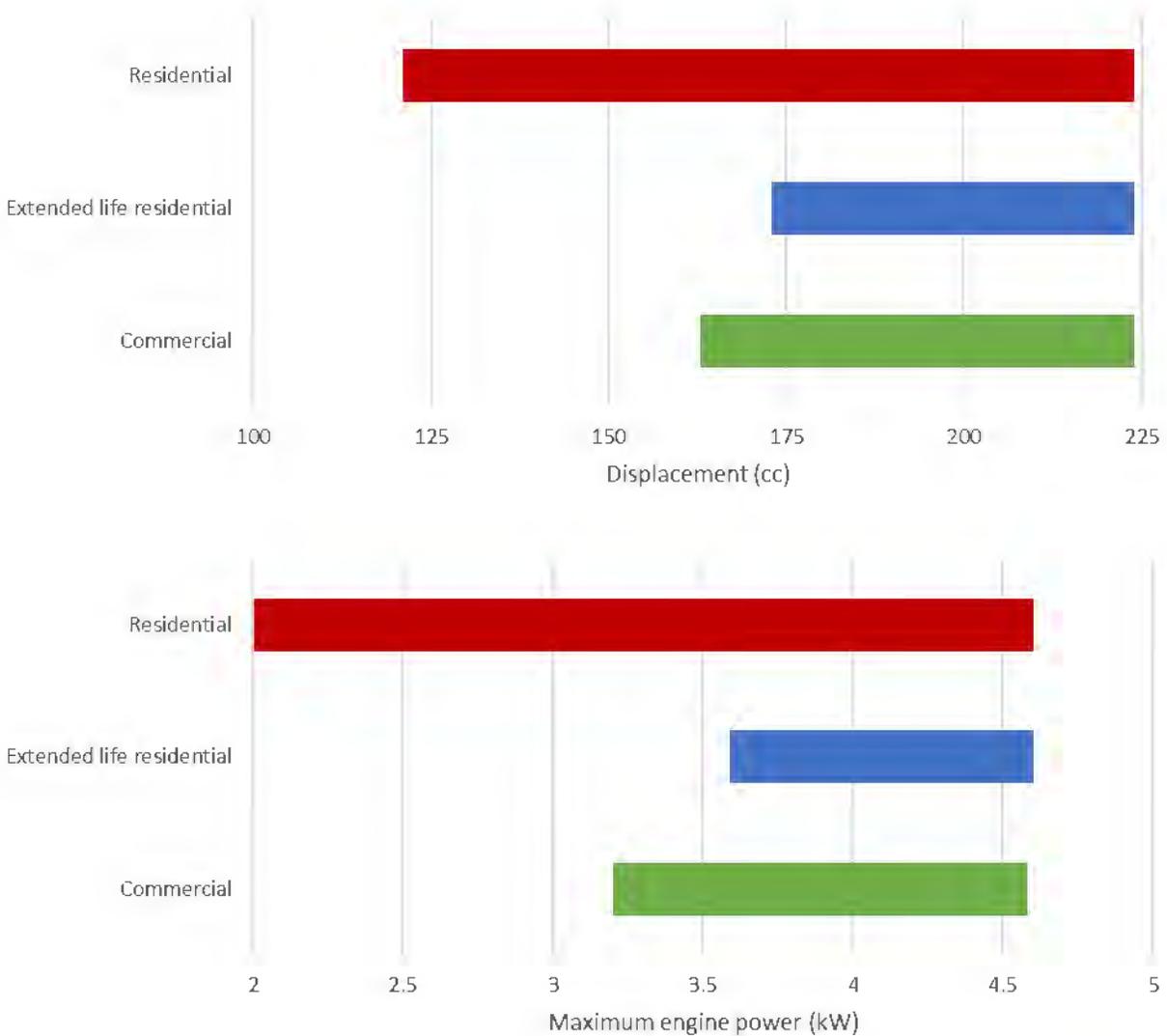
Figure I-2
SVSEs: Displacement and power of EPA certified SVSEs, model year 2020



Note: Size of the bubble is proportional to the number of engines with the same displacement and power.

Source: EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small NRSI Engine Certification Data (Model years: 2011 – Present), January 24, 2020, <https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment>, retrieved April 12, 2020.

Figure I-3
SVSE: Range of displacement (top) and power (bottom) of EPA certified SVSE, by type, model year 2020



Source: EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small NRSI Engine Certification Data (Model years: 2011 – Present), January 24, 2020, <https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment>, retrieved April 12, 2020.

Applications

The SVSEs covered by the scope are most commonly used in walk-behind lawn mowers, but may also be used in other outdoor power equipment such as pressure washers and

wheeled trimmers.³⁰ Walk-behind mowers may be used in both residential and commercial applications.³¹ Residential lawn mowers are most commonly used by individual homeowners. Commercial lawn mowers are typically used by companies and contractors providing lawn maintenance services. Commercial lawn mowers are typically more durable than regular lawn mowers, as they are in more constant use, may have additional or more advanced features, and are more expensive. Commercial lawn mowers, however, may also be used by individual homeowners, since they are more able to handle large lawns and challenging terrain. In addition, commercial lawnmowers provide a better cut that some homeowners may prefer.³²

Manufacturing processes³³

There are five stages of production for SVSEs: (1) casting major components; (2) machining the components; (3) assembling the short block; (4) assembling the long block; and (5) finishing.

Casting

The first stage involves the casting of the major cast iron and aluminum components that are the main parts of the engines (figure I-4). Most of the parts in engines are made of aluminum, so that they do not get too heavy. The major components include crankcases, cylinder heads, sumps, crankshafts, connecting rods, pistons, and flywheels. Some engine

³⁰ Honda lists common applications for its GXV160 engine as “lawn mowers,” “commercial lawn and garden equipment,” “forestry equipment,” “construction/industrial equipment,” and “agricultural equipment.” Petition, pp. 9, 13; MTD, written testimony (Trumpler), p. 2; Honda Website, <https://engines.honda.com/models/model-detail/gxv160#Features>, retrieved April 15, 2020.

³¹ Toro website, <https://www.toro.com/en/professional-contractor/commercial-mowers/21-heavy-duty-kawasaki-bbc-22298>, <https://www.toro.com/en/professional-contractor/commercial-mowers/21-heavy-duty-kawasaki-zone-start-22297>, and <https://www.toro.com/en/professional-contractor/commercial-mowers/21-heavy-duty-hondazone-start-22295>, retrieved April 15, 2020; Northern Tool + Equipment Website, https://www.northerntool.com/shop/tools/product_200731984_200731984, retrieved April 15, 2020; Honda Website, <https://powerequipment.honda.com/lawn-mowers/models/hrx217vka>, retrieved April 15, 2020; Cub Cadet Website, https://www.cubcadet.com/en_US/walk-behind-mowers/push-mowers, retrieved April 15, 2020.

³² ProGardenTips, “Commercial Lawn Mower Vs Residential Lawn Mower,” January 18, 2019, <https://www.progardentips.com/commercial-vs-home-use-lawn-mower/> (retrieved April 15, 2020); Backyard Woodshop, “Commercial Lawn Mowers Vs. Home Mowers – What’s The Difference?” n.d., <https://www.backyardworkshop.com/commercial-lawn-mowers-vs-home/>, retrieved April 15, 2020.

³³ Unless otherwise noted, this section is from Petition, pp. 7–9; and “How Lawnmower Engines are Made,” Aug 10, 2015, <https://www.youtube.com/watch?v=uBPbSUUkTck>, retrieved April 12, 2020.

producers are vertically integrated with their own aluminum cast houses or other upstream facilities. Other engine producers use external foundries as their sole source or complementary source of engine castings.

Figure I-4

SVSEs: Cast cylinder block



Source: “How Lawnmower Engines are Made,” Aug 10, 2015, <https://www.youtube.com/watch?v=uBPbSUUKTck>, retrieved April 15, 2020.

Machining

After casting, these major iron and aluminum components are machined. Machining involves milling, turning, drilling, boring, grinding, honing, deburring, balancing, washing, and other steps essential to transform cast parts into useable engine components. Most SVSE manufacturers perform the machining of these components “in-house,” while others source completed components from external machine shops, either entirely or to complement their in-house machining capabilities. The number and type of parts that are machined in-house may vary from one producer to the next. Any scrap collected from the machining process is generally sold and offset against the purchase price of the casting.

Short block assembly

After machining, workers on the assembly line begin the primary assembly process. The early part of the assembly process creates the “short block” subassembly from most of the major cast iron and aluminum components produced in the first two steps. This subassembly generally includes at least the engine crankcase, sump, crankshaft, camshaft, connecting rod(s), and piston(s) (figures I-5 and I-6). Additional smaller minor parts – such as rings, gaskets, bolts,

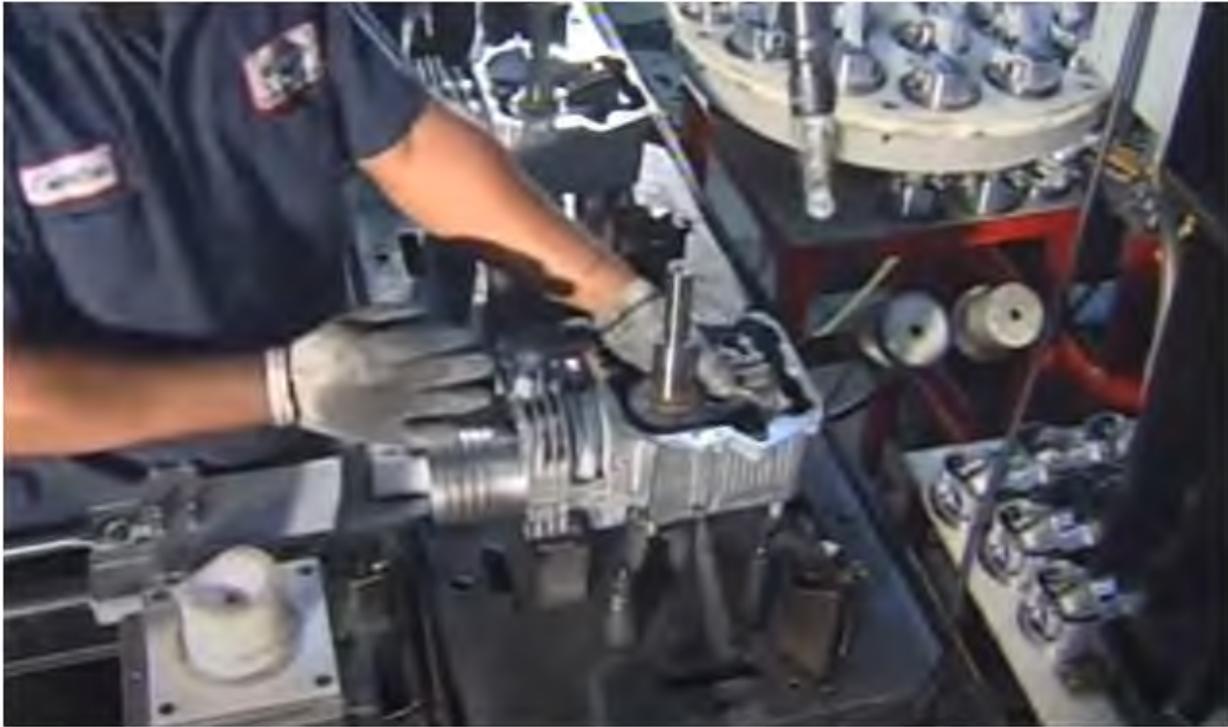
screws, springs, governor gears, and washers – are added to the machined parts to complete this stage of the assembly process. Some of these minor parts are made by the SVSE manufacturers, while others are sourced as completed parts from various suppliers. During the assembly of the short block, many processes and many different types of critical assembly equipment are used to ensure quality, reliability, and durability of the core of the engine. In addition, numerous in process quality checks take place.

Figure I-5
SVSEs: Crank shaft assembly inserted into the cylinder box



Source: "How Lawnmower Engines are Made," Aug 10, 2015,
<https://www.youtube.com/watch?v=uBPbSUUKTck>, retrieved April 15, 2020

Figure I-6
SVSEs: Piston installed into the cylinder



Source: "How Lawnmower Engines are Made," Aug 10, 2015,
<https://www.youtube.com/watch?v=uBPbSUUkTck>, retrieved April 15, 2020

Long block assembly

After completion of the "short block," the assembly process creates what is known as the engine "long block." The long block differs from the short block usually through the addition of the valvetrain, cylinder heads, valve covers, and breather system components (figure I-7). Once again, many processes and different types of critical equipment are used, and numerous in-process quality checks take place.

Figure I-7
SVSEs: Head fitted to the cylinder block



Source: "How Lawnmower Engines are Made," Aug 10, 2015,
<https://www.youtube.com/watch?v=uBPbSUUKTck>, retrieved April 15, 2020

Finishing

After the long block has been created, the engine progresses down the assembly line, and the remaining parts are added to create a finished engine. This step includes adding components such as the intake spacer, carburetor, starter, flywheel, spark plugs, ignition coils, cooling fan, and other components necessary for the engine to start, run, produce power, and meet emissions requirements. The SVSE is tested to determine whether it meets quality standards. The testing process entails providing fuel, oil, and a rotating mechanism to start the engine. The testing process also involves setting speeds, checking safety shutdowns, and verifying that no leaks or abnormal operations are present.

SVSEs that do not pass the quality testing process are either immediately reworked, added to a queue of repair engines, or scrapped, depending on the defect. SVSEs that pass all inspections and requirements are moved to packaging, where they are prepared for shipment depending on customer needs.

After packaging, SVSEs are either shipped to a customer directly or stored for future shipments. ***

***.

Domestic like product issues

Petitioner proposes a domestic like product coextensive with the scope of these investigations.³⁴ Respondent Toro argues that the Commission should find in these preliminary investigations that mounted SVSEs constitute a separate domestic like product from unmounted SVSEs. Toro argues that this is because unmounted and mounted engines are different products with different uses and characteristics. Additionally, Toro argues that the Commission should also consider SVSEs for commercial applications to constitute a domestic like product that is separate from other merchandise described in the scope of the investigations. Toro argues that commercial engines have distinct physical characteristics because they are produced using higher-quality, more expensive materials and processes.³⁵

³⁴ Petition p. 13.

³⁵ Toro's postconference brief, pp. 4-8.

Part II: Conditions of competition in the U.S. market

U.S. market characteristics

SVSEs are used in gas-powered walk-behind lawn mowers, as well as pressure washers and other outdoor power equipment.¹ The U.S. market for gas-powered mowers has declined in recent years, as sales of battery-powered mowers have increased.²

The U.S. SVSEs market is supplied by two domestic producers, Briggs & Stratton and Honda, as well as imported product.³ Briggs & Stratton is the larger of the two U.S. producers, accounting for *** of U.S. production in 2019. Honda generally serves the higher end of the SVSEs market. Honda's U.S. production of SVSEs is reportedly a higher performance product that is not suitable for all market segments.⁴ Honda produces SVSEs for residential and lighter use applications but does not produce commercial grade SVSEs in the United States; it imports commercial grade engines from China for its lawn mower production.⁵ ***.⁶ Importers include firms that import SVSEs for resale, firms that import SVSEs for production of outdoor power equipment, and firms that import SVSEs already mounted on equipment.

Most unmounted SVSEs are sold to the OEMs that manufacture mowers and other outdoor power equipment. OEMs, in turn, sell their mowers to major home center retailers, such as Home Depot, Lowe's, and Walmart, as well as to dealers.⁷ Retailers decide which mowers and engines are promoted, can influence the engine selection for particular mowers,

¹ Petition, p. 16. Petitioner testimony, Rodgers, p. 1. Petitioner estimates that about 73 percent of SVSEs were used in mowers and about 27 percent in pressure washers. Petitioner's postconference brief, Answers to Questions, p. 38. In its importer questionnaire response, *** stated that it believes that 25 to 30 percent of imports of SVSEs are used for pressure washer applications.

² See demand trends discussion later in this section.

³ In part II, Honda Power and American Honda will generally be referred to as "Honda." ***.

⁴ Respondent Toro testimony, Buenz, p. 3.

⁵ Emails from Donald Harrison, counsel to Honda, April 23, 2020 and April 24, 2020.

⁶ Petitioner's postconference brief, Answers to Questions, p. 14.

⁷ Petition, p. 15. Petitioner testimony, Rodgers, p. 8.

and may offer warranties or service packages on their mowers which require the services of the engine producer.⁸

The OEM market is concentrated among a very small number of manufacturers, including MTD, Toro, and Husqvarna, which announced in 2018 that it would leave the consumer lawn mower market.⁹ The major OEMs source SVSEs from multiple producers including U.S. producers and Chinese producers. MTD, which stated that it is one of the largest consumers, if not the largest, of SVSEs, and is the largest U.S. producer of walk-behind lawnmowers, purchases SVSEs from both of the U.S. producers as well as from Chinese producer Zongshen, with which MTD has a joint development agreement for SVSEs.¹⁰ Toro purchases SVSEs from U.S. producers Briggs & Stratton and Honda, as well as from Chinese producers Kohler, Honda, Loncin, and Kawasaki.¹¹

In addition to producing SVSEs, Briggs & Stratton and Honda also manufacture mowers that use these engines. Briggs & Stratton produces ***. It markets its mowers under the Snapper and Murray brands, and stated that in 2012, it stopped selling its mowers through mass retailers, and thus does not compete for sales with MTD or Toro in the mass retailer part of the market. Briggs & Stratton also licenses the Snapper

⁸ Petition, p. 15.

⁹ Petitioner's postconference brief, Responses to Questions, p. 9. ***. Among the largest importers, ***.

¹⁰ Respondent MTD's postconference brief, p. 1. MTD mower brands include Cub Cadet, Troy Bilt, Remington, and Yard Machines, and it also private labels mowers under the Craftsman, Murray, and Snapper names. MTD purchases SVSEs primarily for use in the manufacture of walk-behind lawn mowers, as well as wheeled trimmers, tillers, and a small riding mower (which it refers to as the "mini-rider"). Respondent MTD testimony, Trumpler, p. 2-3.

MTD reported that under its agreement with Zongshen to develop engines that are individually optimized for MTD's product, MTD supports product development, engineering, quality assurance, and assists with compliance testing and certification to U.S. standards, including EPA emission standards. It stated that the engines it obtains from China are equivalent in quality and cost to Briggs & Stratton's engines. It reported that with its own engines it has more control of quality, warranty and consumer experience/satisfaction, and these engines are not directly interchangeable with petitioner's engines. Respondent MTD testimony, Trumpler, pp. 3-6.

¹¹ Respondent Toro testimony, Buenz, p. 2.

and Murray brands to Walmart, which contracts with MTD to produce these brands of mowers.¹²

*** U.S. producers and four importers reported changes in the marketing or product range of SVSEs since 2017. *** reported an increase in consumer-focused battery powered lawn mowers. *** . *** .¹³ *** .

Overall, apparent U.S. consumption in 2019 was *** percent lower than in 2017, decreasing by *** percent from 2017 to 2018 and by *** percent from 2018 to 2019.

Impact of section 301 tariffs

As discussed in part I, various products subject to these investigations have been subject to section 301 tariffs beginning in August and September 2018, although exclusions were granted in July, September, and October 2019. *** U.S. producers and 6 of 12 responding importers reported that section 301 tariffs had an impact on the U.S. SVSEs market. Three importers *** reported that they did not know if they had an impact, and three importers reported no impact. Firms' reported impacts of the section 301 tariffs on overall U.S. demand, supply, prices, and raw material costs are shown in table II-1. Some firms reported that the tariffs decreased the supply of imports from China, increased prices of SVSEs, and/or increased raw material costs for SVSEs.

¹² On March 6, 2020, Briggs & Stratton “announced that it would divest much of the products business, which is the group within Briggs & Stratton that makes and markets branded mowers.” Petitioner’s postconference brief, Answers to Questions, pp. 13-14.

¹³ *** .

Table II-1
SVSEs: Impact of Section 301 tariffs

Country pair	U.S. producers				U.S. importers			
	I	NC	D	F	I	NC	D	F
U.S. supply	***	***	***	***	---	6	---	1
China supply	***	***	***	***	---	4	4	---
Other country supply	***	***	***	***	2	5	---	---
Prices	***	***	***	***	4	4	---	---
U.S. demand	***	***	***	***	---	7	---	3
Raw material costs	***	***	***	***	3	6	---	1

Note: I=increased, NC=no change, D=decreased, F=fluctuated.

Source: Compiled from data submitted in response to Commission questionnaires.

***. Among importers, *** reported a shift of finished goods assembly to other countries, and *** reported a slowing of imports, but stated that the tooling for downstream products is still in China.

Regarding raw material costs, *** reported that the cost of component parts purchased from China increased. ***. *** reported that there have been significant increases in the costs of imported component parts that are used in the manufacture of SVSEs, and that U.S. engine manufacturers have raised prices on their engines because of the section 301 tariffs on those components.

Channels of distribution

Unmounted SVSEs are mostly sold to OEMs, particularly firms that produce walk-behind lawn mowers as well as other outdoor power equipment. During 2017-19, more than *** percent of U.S. producers' and importers' U.S. shipments of unmounted SVSEs were to OEMs (table II-2). Lawn mowers, power washers, and other equipment that are imported with the engine already mounted are typically sold to retailers and dealers of outdoor equipment.

Table II-2
SVSEs: U.S. producers' and importers' U.S. shipments of unmounted engines, by sources and channels of distribution, 2017-2019

Item	Calendar year		
	2017	2018	2019
	Share of quantity of U.S. shipments (percent)		
U.S. producers: to Distributors or dealers	***	***	***
to OEMs	***	***	***
U.S. importers: China to Distributors or dealers	***	***	***
to OEMs	***	***	***
U.S. importers: Nonsubject to Distributors or dealers	***	***	***
to OEMs	***	***	***
U.S. importers: All sources: to Distributors or dealers	***	***	***
to OEMs	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Geographic distribution

U.S. producers and subject importers reported selling SVSEs to all U.S. regions (table II-3). For U.S. producers, *** percent of shipments were between 101 and 1,000 miles of their production facility and *** percent were over 1,000 miles. Importers sold less than one percent within 100 miles of their U.S. point of shipment, 76 percent between 101 and 1,000 miles, and 24 percent over 1,000 miles.

Table II-3
SVSEs: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Importers
Northeast	***	6
Midwest	***	7
Southeast	***	7
Central Southwest	***	6
Mountain	***	5
Pacific Coast	***	6
Other	***	2
All regions (except Other)	***	5
Reporting firms	2	7

Note: All other U.S. markets, including AK, HI, PR, and VI.

Source: Compiled from data submitted in response to Commission questionnaires.

Supply and demand considerations

U.S. supply

Table II-4 provides a summary of the supply factors regarding SVSEs from U.S. producers and from China. U.S. producers ship mainly to the U.S. home market whereas Chinese producers reported a smaller share of shipments to the Chinese home market.

Table II-4
SVSEs: Supply factors that affect the ability to increase shipments to the U.S. market

Item	2017	2019	2017	2019	2017	2019	Shipments by market in 2019 (percent)		Able to shift to alternate products
	Capacity (1,000 units)		Capacity utilization (percent)		Inventories as a ratio to total shipments (percent)		Home market shipments	Exports to non-U.S. markets	No. of firms reporting "yes"
United States	***	***	***	***	***	***	***	***	***
China	***	***	***	***	***	***	***	***	***

Note: Responding U.S. producers accounted for all of U.S. production of SVSEs in 2019. Responding foreign producer/exporter firms accounted for *** of U.S. imports of SVSEs from China during 2019. For additional data on the number of responding firms and their share of U.S. production and of U.S. imports from China, please refer to Part I, "Summary Data and Data Sources."

Source: Compiled from data submitted in response to Commission questionnaires.

Domestic production

Based on available information, U.S. producers of SVSEs have the ability to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced SVSEs to the U.S. market. The main contributing factors to this degree of responsiveness of supply is the availability of unused capacity and some ability to shift shipments from alternate markets, but a limited ability to shift production to or from alternate products.

U.S. producers' capacity *** from 2017 to 2019, and *** production declined in each year, and thus capacity utilization declined in each year. Briggs & Stratton reported that its export markets were ***, ***.

Firms reported a wide range of cost shares for SVSEs in lawn mowers, ranging from 8 percent (reported by ***) to 75 percent (reported by ***), with differing shares often depending on the type of mower. *** reported an average cost share of 30 percent in mowers, and 18 percent in commercial walk-behind mowers. *** reported a cost share of 25 percent in consumer walk-behind mowers and 8 percent in commercial walk-behind mowers. *** reported cost-share estimates of 53 percent in push mowers, 38 percent in chore products (e.g. trimmers) and self-propelled mowers, and 15 percent in **. *** reported a cost share of 50 percent in string mowers, and *** reported a cost share of 13 percent in wide area mowers.

Most firms reported that cost shares for SVSEs in pressure washers were 30 to 40 percent, although one firm reported 60 percent. Cost shares reported for SVSEs in other outdoor powered equipment included: aerator- 3 percent, power wagon- 9 percent, earth auger- 14 percent, hydraulic power unit- 18 percent, stump grinder/log splitter- 20 percent, walk-behind trimmer -27 percent.

Business cycles

The market for SVSEs is seasonal, based on the demand for landscape services for residential lawns. OEMs generally make most of their engine purchases in early winter, and consumers make most of their lawn mower purchases in spring and early summer.¹⁵

Most responding firms (***) responding U.S. producers and 12 of 13 importers) indicated that the SVSE market was subject to business cycles. Firms reported seasonal sales for SVSEs with most sales in the fall or winter for OEMs' production in winter and early spring to support sales of mowers and other outdoor equipment to consumers in spring and summer. Firms also reported that weather conditions, including rainfall, affects annual demand.

Most firms (***) responding U.S. producers and 9 of 12 importers) indicated that the market was not subject to other distinct conditions of competition. *** stated that the small number of players in the SVSE market was a condition of competition. In particular, it stated that Honda has limited capacity to produce SVSEs and that Briggs & Stratton is vertically integrated; that only Toro and MTD produce consumer retail lawn mowers; and that the majority of the consumer lawn mower market is sold through Lowe's and Home Depot. Importer *** reported conditions of competition related to ***; these are detailed in part V (table V-9).

¹⁵ Petition, p. 17.

Some firms reported changes to the conditions of competition. Importer *** cited growth in battery-operated and robotic mowers and increased consumer desirability of engines branded with the same name as the mower. *** stated that Husqvarna's decision to exit the walk-behind lawn mower market and Sears' bankruptcy has further consolidated the OEM base for lawn mowers. *** cited the section 301 tariffs as a change to market conditions.

Demand trends

U.S. demand for SVSEs is driven largely by demand for walk-behind mowers, which is driven by the need for residential lawn landscaping services, which is in turn, driven by new and existing homes sales.¹⁶ According to the ***, overall U.S. shipments of consumer gasoline-powered walk-behind mowers declined from 2017 to 2019 (with a *** percent decline in 2018 and an *** percent decline in 2019) and were projected to continue to decline by *** percent per year in 2020 and 2021. The declines in 2018 and 2019 was a result of overall declines in shipments of consumer walk-behind rotary mowers combined with growth in shipments of electric walk-behind mowers.¹⁷ U.S. shipments of commercial walk-behind mowers (***) units in 2019) were much smaller than consumer gasoline-powered walk-behind mowers (***) units in 2019), and experienced a *** percent increase in 2018 and a *** percent decline in 2019.

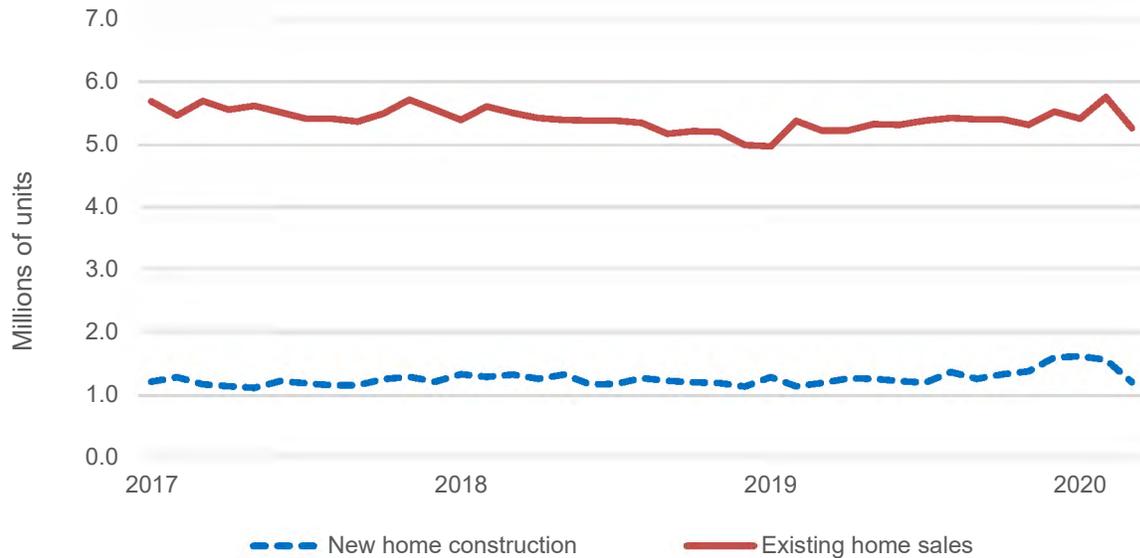
New and existing home sales drives demand for walk-behind lawn mowers.¹⁸ New home construction increased from January 2017 to December 2019 and increased sharply in the fourth quarter of 2019 (figure II-2). Overall, the number of new privately-owned housing units started increased by 31.1 percent between January 2017 and December 2019. Existing home sales declined by 2.8 percent between January 2017 and December 2019.

¹⁶ Petition, p. 17.

¹⁷ Electric walk-behind mower shipments grew to *** percent of U.S. shipments of consumer walk-behind mowers in 2019, and experienced growth of *** percent in 2018 and *** percent in 2019. ***, Respondent MTD's postconference brief, exhibit 6.

¹⁸ Petition, p. 17.

Figure II-2
Home construction: New privately-owned housing units started, seasonally adjusted, monthly, January 2017-March 2020



Source: Census Bureau, <https://www.census.gov/construction/nrc/index.html>, and National Association of Realtors, <http://www.realtor.org/topics/existing-home-sales>.

Firms provided mixed responses concerning U.S. demand for SVSEs since January 1, 2017 (table II-5).

Table II-5
SVSEs: Firms’ responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	***	***	***	***
Importers	4	3	3	2
Demand outside the United States				
U.S. producers	***	***	***	***
Importers	2	3	2	2

Source: Compiled from data submitted in response to Commission questionnaires.

Petitioner stated that demand for SVSEs used in walk-behind mowers was generally weak because of the following factors: homeowners increasingly using professional lawn care services, competition from electric and battery powered mowers, 2018 bankruptcy of Sears (which traditionally was a significant retailer whose advertising drove demand for walk-behind lawn mowers), and the exit of Husqvarna from the gas powered walk-behind mower market.¹⁹

*** stated that demand for pressure washers did not change but importer

¹⁹ Petitioner testimony, Rodgers, p. 5. Petitioner’s postconference brief, p. 7.

*** stated that gas pressure washers have slowly lost market share to electric pressure washers.

Importers cited a number of factors with respect to U.S. demand trends. Among firms citing increased demand, *** reported growth in its sales of pressure washers and *** cited growth in the walk-behind mower market. *** reported a decrease in demand related to a decline in the overall market of walk-behind mowers and an increase in electric mowers. *** reported decreased demand for SVSEs, citing technological advances in battery-powered outdoor equipment which has resulted in higher-powered equipment with longer battery life and lower prices; California's intent to eliminate gas engines by 2026; price increases for gas engines because of tariff increases; emission regulations; and robotics growth. It also stated that Husqvarna exiting the residential mower market and the Sears bankruptcy has provided opportunities for low-cost imported lawn mowers, including lawn mowers produced in China with Briggs & Stratton engines, to gain market share at entry-level consumer price points.

Regarding demand outside of the United States, firms reported decreased demand in Europe and Canada because of increased use of battery-powered products. *** stated that demand outside the United States for SVSEs used in walk-behind lawn mowers had decreased but that demand for SVSEs used in pressure washers had not changed.

Substitute products

Direct substitutes for SVSEs are limited, however, there is some substitution in downstream products. Most firms (*** U.S. producers and 8 of 11 importers reported that there were no substitutes for SVSEs. Three importers *** reported that battery powered walk-behind mowers and other equipment were substitutes for outdoor equipment incorporating SVSEs, and two importers reported that changes in the prices of substitutes had affected prices of SVSEs. *** stated that battery growth and more aggressive battery pricing has created downward pressure on pricing and demand for gas-powered engines. *** cited data that electric walk-behind mower sales increased by nearly 40 percent and that gasoline powered walk-behind mower sales declined by 13 percent from 2017 to 2019, and stated that as a result of declining demand for gasoline walk-behind engines, its imports declined by ***.

Substitutability issues

The degree of substitution between domestic and imported SVSEs depends upon such factors as relative prices, quality (e.g., grade standards, defect rates, etc.), and conditions of

sale (e.g., price discounts/rebates, lead times between order and delivery dates, reliability of supply, product services, etc.). Based on available data, staff believes that there is a moderate-to-high degree of substitutability between domestically produced SVSEs and SVSEs imported from China. Factors limiting substitutability include engine features and specifications, supplier relationships, and importance of having multiple sources.

Lead times

SVSEs are typically produced-to-order for the customer. ***.²⁰ Briggs & Stratton reported that its lead times average *** days. Importers reported lead times of 90 to 120 days for produced-to-order product from China.

Factors affecting purchasing decisions

Petitioner stated that the process for qualifying an SVSE at an OEM for a new application ***.²¹ Toro stated that its qualification process for SVSEs includes testing the engines both mounted on equipment and unmounted in an indoor laboratory and outdoor field tests, and involves tests for engine performance over time.²²

Purchasers responding to lost sales lost revenue allegations²³ were asked to identify the main purchasing factors their firm considered in their purchasing decisions for SVSEs. The major purchasing factors identified by firms include quality, reliability, branding, supply consistency, parts availability, ***, and cost (table II-6).

²⁰ Petitioner's postconference brief, Answers to Questions, p. 20, Email from Petitioner, April 16, 2020.

²¹ Petitioner's postconference brief, Answers to Questions, pp. 9-10.

²² Respondent Toro's postconference brief, p. 4.

²³ This information is compiled from responses by purchasers identified by Petitioners to the lost sales lost revenue allegations. See Part V for additional information.

Table II-6

SVSEs: Factors used in purchasing decisions as reported by U.S. purchasers

Purchaser	First	Second	Third	Other factors
***	***	***	***	***
***	***	***	***	***
***	***	***	***	***
***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Comparison of U.S.-produced and imported SVSEs

In order to determine whether U.S.-produced SVSEs can generally be used in the same applications as imports from China, U.S. producers and importers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-7, U.S. producer *** reported that products from the United States, China, and all other sources were always interchangeable, and *** reported that domestic and Chinese product were frequently interchangeable. Most importers reported that domestic and Chinese produced SVSEs were frequently interchangeable.

Table II-7

SVSEs: Interchangeability between SVSEs produced in the United States and in other countries, by country pair

Country pair	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. China	***	***	***	***	1	8	2	1
United States vs. Other	***	---	---	***	1	4	2	---
China vs. Other	***	---	---	***	1	4	2	---

Note: A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

In additional comments, ***, reported frequent interchangeability, stating that it has internal requirements and proprietary technical specifications. *** reported that products are frequently interchangeable, and it stated that it offers high-quality products commensurate with its brand

recognition and sells its engines at prices comparable to U.S. produced engines. *** stated that there is no interchangeability for replacement engines since the same engine that was originally sold with the mower must be used. Toro stated that neither Briggs & Stratton nor Honda manufactures SVSEs in the United States for commercial applications.²⁴

Several producers of pressure washers reported some limits to interchangeability. *** stated that, depending on the application, differing mounting patterns and sizes among engine types could interfere with pump location and other peripheral components in the assembly, causing a lack of complete fit or operation in the end-use product. *** stated that Briggs and Stratton does not sell an engine without a high debris package in the weight and application of the product that it requires. *** stated that electric start, auto-choke and custom shroud designs are not readily available from domestic producers. Regarding imports from nonsubject sources, *** stated that production of a limited selection of SVSEs for pressure washers has recently started in Vietnam.

In addition, U.S. producers and importers were asked to assess how often differences other than price were significant in sales of SVSEs from the United States, subject, or nonsubject countries. As seen in table II-8, U.S. producer *** reported that such differences were never significant whereas *** 10 of 13 responding importers reported that such differences between domestic and Chinese produced SVSEs were always or frequently significant.

Table II-8
SVSEs: Significance of differences other than price between SVSEs produced in the United States and in other countries, by country pair

Country pair	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. China	***	***	***	***	5	5	2	1
United States vs. Other	***	***	***	***	1	3	3	1
China vs. Other	***	***	***	***	1	3	2	1

Note: A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

In describing these differences, *** stated that its technical support is a priority for its consumers. *** stated that since its finished product is made in China, the supply chain is more efficient. ***

²⁴ Respondent Toro's postconference brief, Answers to Questions, p. 2. Toro stated that ***. Respondent Toro's postconference brief, Answers to Questions, p. 7.

***. MTD stated that Zongshen has worked with MTD to provide innovations such as vertical storage capabilities, electronic governors, and lithium ion battery starting capabilities compatible with Craftsman handheld tools, features which Briggs & Stratton was unable or unwilling to provide.²⁵ In addition, it stated that U.S. producers manage warranty claims while OEMs that source SVSEs from China manage the warranty claim.²⁶ Toro stated that having multiple supply sources is an important non-price consideration in order to ensure supply chain security because of the high-volume requirements and demanding seasonal timing for outdoor power equipment and to support Toro's "broad and innovative" product line.²⁷

²⁵ Respondent MTD's postconference brief, pp. 7-8.

²⁶ Respondent MTD's postconference brief, pp. 6-7.

²⁷ Respondent Toro's postconference brief, pp. 13-15.

Part III: U.S. producers’ production, shipments, and employment

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 subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of two firms that accounted for the 100 percent of U.S. production of SVSEs during 2019.

U.S. producers

The Commission issued a U.S. producer questionnaire to two firms based on information contained in the petition: Briggs & Stratton Corporation and Honda Power Equipment Manufacturing, Inc. (Honda Power). Both firms provided usable data on their operations. Staff believes that these responses represent all U.S. production of SVSEs in 2019.

Table III-1 lists the U.S. producers of SVSEs, their production locations, positions on the petition, and shares of total production.

Table III-1
SVS engines: U.S. producers, their position on the petition, location of production, and share of reported production, 2019

Firm	Position on petition	Production location(s)	Share of production (percent)
Briggs & Stratton	Petitioner	Poplar Bluff, MO Murray, KY Wauwatosa, WI	***
Honda Power	***	Swepsonville, NC	***
Total			100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-2 presents information on U.S. producers' ownership, related and/or affiliated firms.

Table III-2
SVSEs: U.S. producers' ownership, related and/or affiliated firms

Item / Firm	Firm Name	Affiliated/Ownership
Ownership:		
***	***	***
Related importers/exporters:		
***	***	***
***	*** (China)	***
Related producers:		
***	***	***
***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

As indicated in table III-2, *** related to foreign producers of the subject merchandise and *** related to importers/exporters of the subject merchandise. In addition, as discussed in greater detail below, *** the subject merchandise.

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2017. ***.

Table III-3

SVSEs: U.S. producers' reported changes in operations, since January 1, 2017

Item / Firm	Reported changed in operations
Plant closings:	
***	***
Expansions:	
***	***
Consolidations:	
***	***
Prolonged shutdowns or curtailments:	
***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. production, capacity, and capacity utilization

Table III-4 and figure III-1 present U.S. producers' production, capacity, and capacity utilization. Domestic producers' SVSE production decreased by *** percent during 2017-19. Capacity ***, while capacity utilization decreased by *** percentage points during 2017-19.

In terms of production constraints, *** noted, ***, and *** noted, ***.

**Table III-4
SVSEs: U.S. producers' capacity, production, and capacity utilization, 2017-19**

Item	Calendar year		
	2017	2018	2019
	Capacity (units)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Production (units)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Capacity utilization (percent)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Share of production (percent)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Figure III-1 SVSEs: U.S. producers' production, capacity, and capacity utilization, 2017-2019

* * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Alternative products

As shown in table III-5, the vast majority of the product produced on the same equipment as SVSEs between 2017 and 2019 by U.S. producers were SVSEs (***) percent in 2019). *** reported that it can produce *** using the same machinery, while *** reported that ***.¹ The reported out-of-scope products in table III-5, therefore, ***.

Table III-5
SVSEs: U.S. producers' overall capacity and production on the same equipment as subject production, 2017-19

Item	Calendar year		
	2017	2018	2019
	Quantity (units)		
Overall capacity	***	***	***
Production:			
Small vertical shaft engines	***	***	***
Out-of-scope production	***	***	***
Total production on same machinery	***	***	***
	Ratios and shares (percent)		
Overall capacity utilization	***	***	***
Share of production:			
Small vertical shaft engines	***	***	***
Out-of-scope production	***	***	***
Total production on same machinery	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers' U.S. shipments and exports

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. Commercial U.S. shipments by quantity and value decreased overall during 2017-19, by *** percent and *** percent, respectively. U.S. producers' U.S. shipments accounted for the majority of total shipments (***) percent as a share of quantity in 2019). The majority of U.S. producers' U.S. shipments related to commercial U.S. shipments, ***. *** reported internal consumption, with *** reporting

¹ ***. Petitioner's postconference brief, p. 20.

decreasing quantities and *** reporting increasing quantities, the net impact of which was a decreasing quantity of internally consumed engines over the period, both absolutely and as a share of total shipments. Similarly, *** reported transfers to related firms, with *** reporting decreasing quantities over the period. *** reported the vast majority of U.S. producers' reported transfers to related firms, and indicated that its transfers were to ***.² *** reported transfers to related firms during the period, and indicated that its transfers were to ***.³ ***. *** reported export shipments to ***, while *** reported *** during the period.

² "****, *** U.S. producers' questionnaire response at II-11.

³ "****", *** U.S. producers' questionnaire response, at II-11.

Table III-6
SVSEs: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2017-2019

Item	Calendar year			Calendar year		
	2017	2018	2019	2017-19	2017-18	2018-19
	Quantity (units)			Period change (percent)		
Commercial U.S. shipments	***	***	***	▼***	▼***	▼***
Internal consumption	***	***	***	▼***	▼***	▼***
Transfers to related firms	***	***	***	▼***	▼***	▲***
U.S. shipments	***	***	***	▼***	▼***	▼***
Export shipments	***	***	***	▼***	▼***	▼***
Total shipments	***	***	***	▼***	▼***	▼***
	Value (1,000 dollars)			Period change (percent)		
Commercial U.S. shipments	***	***	***	▼***	▼***	▼***
Internal consumption	***	***	***	▼***	▼***	▼***
Transfers to related firms	***	***	***	▼***	▼***	▲***
U.S. shipments	***	***	***	▼***	▼***	▼***
Export shipments	***	***	***	▼***	▼***	▼***
Total shipments	***	***	***	▼***	▼***	▼***
	Unit value (dollars per unit)			Period change (percent)		
Commercial U.S. shipments	***	***	***	▲***	▼***	▲***
Internal consumption	***	***	***	▼***	▼***	▼***
Transfers to related firms	***	***	***	▲***	▲***	▲***
U.S. shipments	***	***	***	▲***	▼***	▲***
Export shipments	***	***	***	▼***	▲***	▼***
Total shipments	***	***	***	▲***	▲***	▲***

Table continued on next page.

Table III-6--Continued

SVSEs: U.S. producers' U.S. shipments, export shipments, and total shipments, 2017-19

Item	Calendar year			Calendar year		
	2017	2018	2019	2017-19	2017-18	2018-19
	Share of U.S. shipments quantity (percent)			Period change (percentage points)		
Commercial U.S. shipments	***	***	***	▼***	▲***	▼***
Internal consumption	***	***	***	▼***	▼***	▼***
Transfers to related firms	***	***	***	▲***	▼***	▲***
U.S. shipments	100.0	100.0	100.0	---	---	---
	Share of total shipments quantity (percent)			Period change (percentage points)		
Commercial U.S. shipments	***	***	***	▼***	▲***	▼***
Internal consumption	***	***	***	▼***	▼***	▼***
Transfers to related firms	***	***	***	▲***	▼***	▲***
U.S. shipments	***	***	***	▲***	▲***	▼***
Export shipments	***	***	***	▼***	▼***	▲***
Total shipments	100.0	100.0	100.0	---	---	---
	Share of U.S. shipments value (percent)			Period change (percentage points)		
Commercial U.S. shipments	***	***	***	▼***	▲***	▼***
Internal consumption	***	***	***	▼***	▼***	▼***
Transfers to related firms	***	***	***	▲***	▼***	▲***
U.S. shipments	100.0	100.0	100.0	---	---	---
	Share of value of total shipments value (percent)			Period change (percentage points)		
Commercial U.S. shipments	***	***	***	▼***	▲***	▼***
Internal consumption	***	***	***	▼***	▼***	▼***
Transfers to related firms	***	***	***	▲***	▼***	▲***
U.S. shipments	***	***	***	▲***	▲***	▲***
Export shipments	***	***	***	▼***	▼***	▼***
Total shipments	100.0	100.0	100.0	---	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers' inventories

Table III-7 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments. The U.S. industry's ending inventories decreased by *** percent during 2017-19. The ratio of inventories to U.S. production of the U.S. industry increased by *** percentage points between 2017-19. The U.S. industry's ratio of inventories to U.S. shipments and its ratio of inventories to total shipments decreased by *** and *** percentage points during the period, respectively.

Table III-7
SVSEs: U.S. producers' inventories, 2017-2019

Item	Calendar year		
	2017	2018	2019
	Quantity (units)		
U.S. producers' end-of-period inventories	***	***	***
	Ratio (percent)		
Ratio of inventories to-- U.S. production	***	***	***
U.S. shipments	***	***	***
Total shipments	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers' imports and purchases

U.S. producers' imports of SVSEs are presented in table III-8. *** reported having imported SVSEs from both subject and nonsubject sources during the period of investigation ***. *** cited the following reason for importing, ***.

***.

Table III-8
SVSEs: U.S. producers' imports, 2017-19

* * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. employment, wages, and productivity

Table III-9 shows U.S. producers' employment-related data. ***. Between 2017 and 2019, production and related workers for the two companies decreased by *** workers, total hours worked decreased by *** hours, hours worked per production and related worker decreased by *** hours, and wages paid decreased by \$*** per year. Hourly wages increased by \$*** per hour and unit labor costs increased by \$*** per unit between 2017 and 2019. As noted above, ***.

Table III-9
SVEs: U.S. producers' employment related data, 2017-19

Item	Calendar year		
	2017	2018	2019
Production and related workers (PRWs) (number)	***	***	***
Total hours worked (1,000 hours)	***	***	***
Hours worked per PRW (hours)	***	***	***
Wages paid (\$1,000)	***	***	***
Hourly wages (dollars per hour)	***	***	***
Productivity (units per hour)	***	***	***
Unit labor costs (dollars per unit)	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Part IV: U.S. imports, apparent U.S. consumption, and market shares

U.S. importers

The Commission issued importer questionnaires to 104 firms believed to be importers of subject SVSEs, as well as to all U.S. producers of SVSEs.¹ U.S. import data are based on the usable questionnaire responses that were received from 13 companies² that staff believes account for a substantial share of U.S. imports from China and nonsubject sources in 2019 under HTS statistical reporting numbers 8407.90.1010, 8433.11.0050 and 8433.11.0060. Table IV-1 lists all responding U.S. importers of SVSEs from China and other sources, their locations, and their shares of U.S. imports, in 2019.

**Table IV-1
SVSEs: U.S. importers, their headquarters, and share of total imports by source, 2019**

Firm	Headquarters	Share of imports by source (percent)		
		China	Nonsubject sources	All import sources
American Honda	Torrance, CA	***	***	***
Ardisam	Cumberland, WI	***	***	***
FNA	Pleasant Prairie, WI	***	***	***
Generac	Waukesha, WI	***	***	***
Harbor Freight	Calabasas, CA	***	***	***
Honda Power	Sweptsonville, NC	***	***	***
Husqvarna	Charlotte, NC	***	***	***
Karcher	Denver, CO	***	***	***
Kohler	Kohler, WI	***	***	***
MTD	Valley City, OH	***	***	***
Techtronic	Anderson, SC	***	***	***
Toro	Bloomington, MN	***	***	***
Yamaha	Cypress, CA	***	***	***
Total		100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

Source: Compiled from data submitted in response to Commission questionnaires.

¹ The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have accounted for more than one percent of total imports under HTS statistical reporting numbers 8407.90.1010, 8409.91.9990, 8424.30.9000, 8433.11.0050, and 8433.11.0060 in 2019.

² Twenty-four firms also submitted questionnaire responses that certified they had not imported SVSEs since January 1, 2017.

U.S. imports

Tables IV-2 and figure IV-1 present data for U.S. imports of SVSEs from China and all other sources. U.S. imports of SVSEs from China increased *** percent by quantity and *** percent by value between 2017 and 2018, then decreased *** percent by quantity and *** percent by value between 2018 and 2019, resulting in a net decrease of *** percent by quantity and *** percent by value during the period. There were *** imports from nonsubject sources during 2017 and *** units reported to have been imported from nonsubject sources in 2018. Imports from nonsubject sources increased *** percent by quantity and *** percent by value between 2018 and 2019. All reported nonsubject source imports during the period were from Japan.

The average unit values of imports from China decreased each year between 2017 and 2019, resulting in a total decrease of *** percent over the period. As noted, there were *** imports from nonsubject sources in 2017. Between 2018 and 2019, average unit values from nonsubject sources increased *** percent. As a ratio to U.S. production, imports from China increased *** percentage points from 2017 to 2018, then decreased *** percentage points between 2018 and 2019, resulting in a net increase of *** percentage points during the period. As a ratio to U.S. production, imports from nonsubject sources increased by *** percent between 2018 and 2019.

Table IV-2
SVSEs: U.S. imports by source, 2017-2019

Item	Calendar year		
	2017	2018	2019
	Quantity (units)		
U.S. imports from.-- China	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***
	Value (1,000 dollars)		
U.S. imports from.-- China	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***
	Unit value (dollars per unit)		
U.S. imports from.-- China	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***
	Share of quantity (percent)		
U.S. imports from.-- China	***	***	***
Nonsubject sources	***	***	***
All import sources	100.0	100.0	100.0
	Share of value (percent)		
U.S. imports from.-- China	***	***	***
Nonsubject sources	***	***	***
All import sources	100.0	100.0	100.0
	Ratio to U.S. production		
U.S. imports from:-- China	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-1
SVSEs: U.S. import quantities and average unit values, 2017-19

* * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. imports by type

Table IV-3 and figure IV-2 present U.S. imports of unmounted SVSEs as compared to imported SVSEs that were mounted onto lawn mowers or other machinery, by subject and nonsubject import sources. Most U.S. imports of SVSEs from China between 2017 and 2019 were unmounted (between *** percent and *** percent), while *** reported imports during the period from nonsubject sources were of unmounted SVSEs. In total, *** percent of imports were unmounted SVSEs in 2019. By unit value, U.S. imports from China of unmounted SVSEs were \$*** per unit as compared to \$*** per unit for mounted SVSEs in 2019. U.S. imports from all other sources of unmounted SVSEs were \$*** per unit in 2019. *** firms reported imports of mounted SVSEs from China during the period (***. *** accounted for the majority of reported imports of mounted SVSEs from China in each of the periods.

Table IV-3
SVSEs: U.S. imports, by product type, 2017-19

Item	Calendar year		
	2017	2018	2019
	Quantity (units)		
U.S. imports from China.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
	Value (1,000 dollars)		
U.S. imports from China.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
	Unit value (dollars per unit)		
U.S. imports from China.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***

Table continued.

Table IV-3--Continued
SVSEs: U.S. imports, by product type, 2017-19

Item	Calendar year		
	2017	2018	2019
	Share of quantity, by source (percent)		
U.S. imports from China.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
	Share of quantity, for all sources (percent)		
U.S. imports from China.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from nonsubject sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***
U.S. imports from all import sources.-- Unmounted	***	***	***
Mounted	***	***	***
All product types	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-2
SVSEs: Share of imports, by product type, 2019

* * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Negligibility

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.³ Negligible imports are generally defined in the Act, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of 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 or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.⁴ Based on questionnaire data, imports from China accounted for *** percent of total imports of SVSEs by quantity during

³ Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

⁴ Section 771 (24) of the Act (19 U.S.C § 1677(24)).

2019. Table IV-4 presents U.S. imports from March 2019 through February 2020, the 12 months preceding the petition.

Table IV-4

SVSEs: U.S. imports in the twelve-month period preceding the filing of the petition, March 2019 through February 2020

Item	March 2019 through February 2020	
	Quantity (units)	Share quantity (percent)
U.S. imports from.-- China	***	***
Nonsubject sources	***	***
All import sources	***	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Apparent U.S. consumption

Table IV-5 and figure IV-3 present data on apparent U.S. consumption and U.S. market shares for SVSEs. Apparent U.S. consumption of SVSEs decreased *** percent by quantity and *** percent by value between 2017 and 2019. From 2017 to 2019, U.S. producers' U.S. shipments decreased by *** percent by quantity and *** percent by value.

U.S. importers' U.S. shipments from China increased *** percent by quantity and *** percent by value between 2017 and 2018, then decreased *** percent by quantity and *** percent by value between 2018 and 2019, resulting in a total decrease of *** percent by quantity and *** percent by value over the period. U.S. importers' shipments from nonsubject sources increased during the period. There were *** reported import shipments from nonsubject sources in 2017 followed by shipments of *** units in 2018. Between 2018 and 2019, U.S. importers' U.S. shipments from nonsubject sources increased *** percent by quantity and *** percent by value.

U.S. producers' U.S. shipment market share fell by *** percentage points between 2017 and 2019. The market share of U.S. importers' U.S. shipments from China increased *** percentage points between 2017 and 2018 and then fell by *** percentage points between 2018 and 2019, resulting in a total decrease of *** percentage points over the period. The market share of U.S. importers' U.S. shipments from nonsubject sources increased *** percentage points between 2017 and 2019.

Table IV-5
SVSEs: Apparent U.S. consumption, 2017-19

Item	Calendar year		
	2017	2018	2019
	Quantity (units)		
U.S. producers' U.S. shipments	***	***	***
U.S. importers' U.S. shipments from.--			
China	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***
Apparent U.S. consumption	***	***	***
	Value (1,000 dollars)		
U.S. producers' U.S. shipments	***	***	***
U.S. importers' U.S. shipments from.--			
China	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***
Apparent U.S. consumption	***	***	***
	Share of quantity (percent)		
U.S. producers' U.S. shipments	***	***	***
U.S. importers' U.S. shipments from.--			
China	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***
	Share of value (percent)		
U.S. producers' U.S. shipments	***	***	***
U.S. importers' U.S. shipments from.--			
China	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-3
SVSEs: Apparent U.S. consumption, 2017-19

* * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Part V: Pricing data

Factors affecting prices

Raw material costs

U.S. producers' raw materials' share of the cost of goods sold decreased slightly, from *** percent in 2017 to *** percent in 2018 and 2019. U.S. producers' unit raw material costs decreased slightly from *** in 2017 to *** in 2018, and then increased to *** in 2019. SVSEs are produced from machined cast iron and aluminum parts. Engine producers may have their own aluminum cast houses or iron foundries or may use external foundries.¹ SVSEs raw material prices were impacted by section 232 tariffs on steel and aluminum and section 301 tariffs on imported parts from China.

The prices of aluminum and steel scrap increased overall between January 2017 and December 2019, by *** and *** percent, respectively (figure V-1). Aluminum prices increased by *** percent from January 2017 to May 2018, and then declined in the remainder of 2018 and in 2019. Steel scrap prices generally followed a similar trend; these prices increased by *** percent between January 2017 and their peak in April 2018 and showed large declines in January-October 2019 before increasing again in November and December 2019.

*** responding U.S. producers reported that raw material prices have fluctuated since January 1, 2017. Honda² stated that its SVSEs prices ***. Briggs & Stratton reported that ***. Among importers, four firms reported no change in these prices, four firms reported that these prices fluctuated, and one firm each reported that these prices increased or decreased.

¹ Petition, p. 7.

² In part V, Honda Power and American Honda will generally be referred to as "Honda." ***.

Figure V-1
Raw materials: Prices of aluminum and steel scrap, monthly, January 2017-December 2019

* * * * *

*** U.S. producers reported that section 232 tariffs³ caused a fluctuation of raw material prices, *** (table V-1). ***. ***. Among importers, four firms reported an increase in raw material prices as a result of section 232 tariffs and seven firms reported no change. Three importers reported an increase SVSEs prices as a result of section 232 tariffs, six reported no change, and one reported that SVSE prices fluctuated. Importer *** reported a 3 percent increase in SVSE prices.

³ The President announced in March 2018 that 25 percent ad valorem national security duties are to be applied, under Section 232 of the Trade Expansion Act of 1962, as amended, to most U.S. imports of steel mill products and 10 percent ad valorem duties are to be applied to U.S. imports of certain aluminum products, although exclusions for product from certain countries have been granted. For more information, see <https://www.cbp.gov/trade/remedies/232-tariffs-aluminum-and-steel>.

Table V-1

SVSEs: Firms' responses regarding the impact of the 232 tariffs

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Impact on the cost of raw materials: U.S. producers	***	***	***	***
Importers	4	7	---	---
Impact on the prices of SVSEs: U.S. producers	***	***	***	***
Importers	3	6	---	1

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. inland transportation costs

*** U.S. producers and six of the seven responding importers reported that their firm typically arranges transportation to the customer.⁴ U.S. producers reported that their U.S. inland transportation costs were *** percent and importers reported costs of 1 to 10 percent.⁵

Pricing practices

Pricing methods

SVSE prices may be affected by engine size and output, expected service life (residential versus commercial), product innovation, brand, warranty, purchase volume, shipping and payment terms, and material input and labor costs.⁶

Firms reported different methods of setting prices for SVSEs. ***. Briggs & Stratton stated that its ***

⁴ *** reported that the customer arranges transportation.

⁵ Importers *** reported 1 percent, *** reported 1 to 4 percent, *** reported 3 percent, *** reported 6.5 percent, and *** reported 10 percent.

⁶ Respondent Toro's postconference brief, Answers to Questions, p. 5.

***. It also stated that engines for pressure washers are generally higher priced than similar-sized engines for mowers because the pressure washer does not have a spinning mass like the blade on a mower, and therefore needs a heavier flywheel than a mower engine.⁷

*** stated that it bases its SVSEs pricing on existing market prices and ***. *** sets prices to OEMs and other customers based on ***. ***, an OEM that produces ***, sends a request for quotation to the supplier with the specification requested. For its sales of replacement engines, *** uses set price lists. MTD stated that its price negotiations for procuring SVSEs typically starts in the *** and is a relatively short process for most of its suppliers. However, it stated that *** because *** pricing practices vary depending on the customer since *** “must know exactly how many engines to expect at each retailer in order to budget for, and negotiate, *** which are higher in years where it faces lower-than-expected sales volumes.”⁸ Toro typically purchases SVSEs ***.⁹

According to the petitioner, sales agreements establish a price for the engine but may not establish a volume of sales.¹⁰ Sales of SVSEs to OEMs are typically on a contract basis, with price negotiations taking place more than a year before the engine is delivered to the OEM.¹¹ Most of Briggs & Stratton’s sales are on an annual contract basis.¹²

⁷ Petitioner’s postconference brief, Answers to Questions, p. 11.

⁸ Respondent MTD’s postconference brief, Answers to Questions, p. 7.

⁹ Respondent Toro’s postconference brief, Answers to Questions, p. 4.

¹⁰ Petition, p. 16.

¹¹ Petition, p. 15.

¹² Petitioner testimony, Coad, p. 2.

Among U.S. producers, ***. Among the importers that sell to OEMs, *** reported using annual contracts with *** price based on annual volume, and *** reported spot sales. ***.

Sales terms and discounts

*** U.S. producers and six of seven responding importers reported that prices are typically quoted on an f.o.b. basis.

Engine producers may provide rebates to OEM or to the OEM's customer, the retailer.¹³ U.S. producers *** quantity discounts to customers. ***. Briggs & Stratton ***.¹⁴ Among importers that sell SVSEs to OEMs, *** reported quantity and total volume discounts and *** reported no discount policy. ***.

Price and purchase cost data

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following SVSE products shipped to unrelated U.S.

¹³ Petition, p. 12.

¹⁴ Briggs & Stratton stated ***. Petitioner's postconference brief, exhibit 7, p. 9.

OEM customers during 2017-19. In addition, firms that imported these products from China for use in production of downstream products were requested to provide import purchase cost data for these products.

Product 1: Vertical shaft engine, Air-Cooled, Single Cylinder, Carbureted, 125-140cc Displacement, Unmounted

Product 2: Vertical shaft engine, Air-Cooled, Single Cylinder, Carbureted, 141-155cc Displacement, Unmounted

Product 3: Vertical shaft engine, Air-Cooled, Single Cylinder, Carbureted, 156-170cc Displacement, Unmounted

Two U.S. producers (***) and two importers (***) provided usable pricing data for sales of the requested products, and four importers (***) reported usable import purchase cost data.^{15 16} Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' U.S. shipments of SVSEs and *** percent of imports of unmounted SVSEs from China in 2019. Purchase cost data reported by these firms accounted for *** percent of imports unmounted SVSEs from China in 2019. Price data and landed duty paid purchase cost data for products 1-3 are presented in tables V-2 to V-4 and figures V-2 to V-4.¹⁷

Among U.S. producers, *** reported pricing data for *** pricing products and *** reported data for ***. ***

¹⁵ No firms reported pricing or cost data for all products for all quarters. Per-unit pricing and cost data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

¹⁶ Several importers did not report price data for their commercial shipments because their imports did not meet the pricing product descriptions (***) or they did not sell to OEMs (***). Importers *** and *** did not provide purchase cost data because they reported that the SVSEs they imported did not meet the specifications defined in the pricing products (***) .

¹⁷ LDP import value does not include any potential additional costs that a purchaser may incur by importing rather than purchasing from another importer or U.S. producer. Price-cost differentials are based on LDP import values whereas margins of underselling/overselling are based on importer sales prices.

. For importers, for product 1, no firm reported pricing data and two firms, ***, reported purchase cost data; for product 2, *** provided price data and *** reported purchase cost data; and for product 3, *** reported price data and four firms () reported purchase cost data.¹⁸ Product 3 data reported by firms varied considerably, particularly data reported by ***.¹⁹

Table V-2
SVSEs: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), and landed duty-paid costs, by quarter, 2017-2019

Period	United States		China - price			China - cost		
	Price (per unit)	Quantity (units)	Price (per unit)	Quantity (units)	Margin (percent)	LDP value (per unit)	Quantity (units)	Price-cost differential (percent)
2017:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2018:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2019:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***

Note: Product 1: Vertical shaft engine, Air-Cooled, Single Cylinder, Carbureted, 125-140cc Displacement, Unmounted.

Note: Price data for product 1 were reported by ***.

Source: Compiled from data submitted in response to Commission questionnaires.

¹⁸ ***.

¹⁹ ***.

Table V-3

SVSEs: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), and landed duty-paid costs, by quarter, 2017-2019

Period	United States		China - price			China - cost		
	Price (per unit)	Quantity (units)	Price (per unit)	Quantity (units)	Margin (percent)	LDP value (per unit)	Quantity (units)	Price-cost differential (percent)
2017:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2018:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2019:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***

Note: Product 2: Vertical shaft engine, Air-Cooled, Single Cylinder, Carbureted, 141-155cc Displacement, Unmounted.

Note: Price data for product 2 were reported by ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-4

SVSEs: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), and landed duty-paid costs, by quarter, 2017-2019

Period	United States		China - price			China - cost		
	Price (per unit)	Quantity (units)	Price (per unit)	Quantity (units)	Margin (percent)	LDP value (per unit)	Quantity (units)	Price-cost differential (percent)
2017:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2018:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2019:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***

Note: Product 3: Vertical shaft engine, Air-Cooled, Single Cylinder, Carbureted, 156-170cc Displacement, Unmounted.

Note: Price data for product 3 were reported by ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-2
SVSEs: Weighted-average prices, import purchase costs, and quantities of domestic and imported product 1, by quarter, 2017-2019

* * * * *

Figure V-3
SVSEs: Weighted-average prices, import purchase costs, and quantities of domestic and imported product 2, by quarter, 2017-2019

* * * * *

Figure V-4
SVSEs: Weighted-average prices, import purchase costs, and quantities of domestic and imported product 3, by quarter, 2017-2019

* * * * *

Import purchase cost data

Importers reporting import purchase cost data were asked to provide additional information regarding the costs and benefits of directly importing SVSEs. Two of the four importers providing useable cost data reported that they incurred additional costs beyond landed duty-paid costs by importing SVSEs directly rather than purchasing from a U.S. producer or U.S. importer.²⁰ ***.

***.

Firms were also asked to describe how these additional costs incurred by importing SVSEs compares with additional costs incurred when purchasing from a U.S. producer or U.S. importer. MTD stated that it incurs the following costs on its imports from Zongshen that it does not incur when purchasing from U.S. producers: warranty costs; product development costs; and testing, certification, quality control, and regulatory compliance costs.²¹ ***.

Two of the four importers *** reporting useable import cost data indicated that they compare costs of importing to the cost of purchasing from a U.S. producer in determining whether to import SVSEs, none of these four importers compares costs to purchasing from a U.S. importer, and two importers (***) do not compare costs of purchasing from either U.S. producers or importers.

Two importers identified benefits from importing SVSEs directly instead of purchasing from U.S. producers or importers. ***

²⁰ ***.

²¹ Respondent MTD's postconference brief, pp. 19-21.

***. Firms were asked whether the cost (both excluding and including additional costs) of SVSEs they imported are lower than the price of purchasing SVSEs from a U.S. producer or importer. *** reported that the costs were lower both excluding and including additional costs. *** reported that the costs were lower excluding additional costs but not when including additional costs. *** reported that import costs were not lower even excluding additional costs.

Importer *** estimated that it saved *** percent of LDP value by importing SVSEs rather than purchasing from a U.S. importer, and importer *** estimated saving *** percent compared to purchasing the product from a U.S. producer.²²

Price and import purchase cost trends

Products 1 and 3 accounted for the large majority of U.S. producers' sales of the three pricing products during 2017-19, accounting for *** percent and *** percent of the quantity of pricing data reported, respectively, and product 2 accounted for less than *** percent. Most of the pricing data for China was reported for product 2 (*** percent) with the remaining *** percent reported for product 3. Purchase cost data quantities were mostly for products 2 and 3, *** and *** percent respectively, and the remainder was for product 1.

U.S. producers' prices exhibiting varying trends, with prices of products 1 and 2 increasing overall during January 2017-December 2019, and prices of product 3 decreasing over this period. Table V-5 summarizes the price and import purchase cost trends. As shown in the table, domestic price increases for products 1 and 2 ranged from *** to *** percent, and prices of product 3 decreased by *** percent, during January 2017-December 2019. Import prices decreased by *** percent for product 2 and increased by *** percent for product 3. Landed duty-paid cost decreases for products 1-3 ranged from *** to *** percent.

²² *** based its estimate on previous company transactions ***. *** based its estimate on market research.

Table V-5
SVSEs: Summary of weighted-average f.o.b. prices and importer purchase costs, for products 1-3, by country

Item	Number of quarters	Low price/cost (dollars per unit)	High price/cost (dollars per unit)	Change in price/cost over period ¹ (percent)
Product 1: United States	12	***	***	***
China price	---	***	***	***
China cost	8	***	***	***
Product 2: United States	12	***	***	***
China price	12	***	***	***
China cost	12	***	***	***
Product 3: United States	12	***	***	***
China price	12	***	***	***
China cost	12	***	***	***

Note: Change in price is percentage change from the first quarter in which data were available to the last quarter in which price data were available. For product 1, China cost, fourth quarter 2017 was the first quarter for which data were available. ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Indexed price data and purchase cost data for products 1-3 are shown in figure V-5. U.S. producers' prices generally fluctuated within a narrow range in 2017 and 2018. In 2019, U.S. producers' prices of products 1 and 2 increased and prices of product 3 declined. As noted previously, section 301 tariffs on SVSEs began taking effect in August 2018, and exclusions were granted in September 2019, and section 232 tariffs on imported steel and aluminum took effect in March 2018.

Figure V-5
SVSEs: Indexed prices and purchase costs, 2017-2019

* * * * *

Figure V-5--Continued.

SVSEs: Indexed prices and purchase costs, 2017-2019

* * * * *

Price and purchase cost comparisons

Price comparisons

As shown in table V-6, prices for product imported from China were below those for U.S.-produced product in 13 instances (** units); margins of underselling ranged from ** to ** percent. In the remaining 11 instances (** units), prices for product from China were between ** and ** percent above prices for the domestic product. There were no reported pricing data for imports of product 1. For product 2, imports from China were priced below U.S.-produced product in all quarters. Product 3 showed overselling in all but one quarter. Two importers reported pricing data for product 3: **, **.

Table V-6

SVSEs: Instances of underselling/overselling and the range and average of margins, by product, January 2017-December 2019

Product	Underselling				
	Number of quarters	Quantity (units)	Average margin (percent)	Margin Range (percent)	
				Min	Max
Product 1	***	***	***	***	***
Product 2	12	***	***	***	***
Product 3	1	***	***	***	***
Total, underselling	13	***	***	***	***
Product	(Overselling)				
	Number of quarters	Quantity (units)	Average margin (percent)	Margin Range (percent)	
				Min	Max
Product 1	***	***	***	***	***
Product 2	***	***	***	***	***
Product 3	11	***	***	***	***
Total, overselling	11	***	***	***	***

Note: These data include only quarters in which there is a comparison between the U.S. and subject product.

Source: Compiled from data submitted in response to Commission questionnaires.

Price-cost comparisons

As shown in table V-7, landed duty-paid costs for SVSEs imported from China were below the sales price for U.S.-produced product in 31 of 32 instances (***) units); price-cost differentials ranged from *** to *** percent. In one instance, landed duty-paid costs were above the domestic sales price (***) units with a price-cost differential of *** percent. ***.

Table V-7

SVSEs: Comparisons of import purchase costs and U.S.-producer sales prices, January 2017-December 2019

Product	Import purchase cost lower than U.S. sales price				
	Number of quarters	Quantity (units)	Average price-cost difference (percent)	Range of price-cost difference (percent)	
				Min	Max
Product 1	***	***	***	***	***
Product 2	***	***	***	***	***
Product 3	***	***	***	***	***
Total, lower	***	***	***	***	***
Product	Import purchase cost higher than U.S. sales price				
	Number of quarters	Quantity (units)	Average price-cost difference (percent)	Range of price-cost difference (percent)	
				Min	Max
Product 1	***	***	***	***	***
Product 2	***	***	***	***	***
Product 3	***	***	***	***	***
Total, higher	***	***	***	***	***

Note: These data include only quarters in which there is a comparison between the U.S. and subject product.

Source: Compiled from data submitted in response to Commission questionnaires.

Lost sales and lost revenue

*** the two U.S. producers reported that they had to either reduce prices or roll back announced price increases, and that they had also lost sales.²³ Petitioner submitted lost sales and lost revenue allegations, and identified *** firms with which it lost sales or revenue (*** consisting of both lost sales and lost revenues allegations, *** consisting of a lost sale allegation, and *** consisting of a lost revenue allegation).²⁴

²³ ***.

²⁴ ***. Additional details regarding these allegations are shown in the petition, volume 1, exhibit I-11.

***.25 ***.

Staff received responses from four purchasers.²⁶ Responding purchasers reported purchasing *** units of SVSEs during 2017-2019 (table V-8). All four purchasers reported purchasing domestic SVSEs and four reported purchases of subject imported SVSEs and none reported purchases of SVSEs from nonsubject countries. Two purchasers reported relatively steady overall purchases of SVSEs in 2019 compared to 2017. One purchaser (***) reported a large increase in purchases (particularly of domestic product) in 2018 compared to 2017, and then fewer purchases in 2019, but higher than in 2018. One purchaser, ***, reported that its purchases declined from *** units in 2017 to *** units in 2019.

During 2019, responding purchasers purchased *** percent from U.S. producers, *** percent from China, and *** percent from nonsubject countries. When asked about changes in their purchasing patterns from different sources since 2017, one purchaser *** reported increasing purchases of both domestic and Chinese SVSEs, citing increased sales of its products and new products incorporating SVSEs, one *** reported decreasing purchases of both domestic and Chinese SVSEs citing ***, one *** reported fluctuating purchases of both domestic and Chinese SVSEs citing market dynamics, and one purchaser *** reported constant domestic and Chinese purchases.

Of the four responding purchasers, three reported that, since 2017, they had purchased imported SVSEs from China instead of U.S.-produced product (table V-9). Three of these purchasers reported that subject import prices were lower than U.S.-produced product.²⁷ No purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product. Purchasers identified quality relative to cost, total value, access to product innovations, and *** as non-price reasons for purchasing imported rather than U.S.-produced product.

25 ***.

26 ***.

27 ***.

Table V-8
SVSEs: Purchasers' reported purchases and imports

Purchaser	Purchases and imports in 2017-19 (units)			Change in domestic share ² (pp, 2017-19)	Change in subject country share ² (pp, 2017-19)
	Domestic	Subject	Nonsubject		
***— Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
***—Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
***—Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
***—Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***
Total— Unmounted	***	***	***	***	***
Mounted	***	***	***	***	***
Combined	***	***	***	***	***

Note: Percentage points (pp) change: Change in the share of the firm's total purchases of domestic and/or subject country imports between first and last years.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-9

SVSEs: Purchasers' responses to purchasing subject imports instead of domestic product

Purchaser	Subject imports purchased instead of domestic (Y/N)	Imports priced lower (Y/N)	If purchased subject imports instead of domestic, was price a primary reason		
			Y/N	If Yes, quantity (units)	If No, non-price reason
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Total	Yes--3; No--1	Yes--3; No--1	Yes--0; No--3	***	

Note: ***. ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Of the four responding purchasers, one (***) reported that U.S. producers had not reduced prices in order to compete with lower-priced imports from China and three reported that they did not know.

Part VI: Financial experience of U.S. producers

Background

Two U.S. producers provided usable financial results on their SVSEs operations. Both U.S. producers reported financial data on a calendar-year basis.¹ One of the responding U.S. producers provided its financial data on the basis of generally accepted accounting principles (“GAAP”), and the other company provided its results on the basis of international financial reporting standards (“IFRS”).

In addition to commercial sales, the industry’s reported net sales included internal consumption and transfers to related firms, with commercial sales, internal consumption, and transfers to related firms accounting for ***, ***, and *** percent, respectively, of total reported net sales quantity in 2019.^{2 3}

¹ ***’s U.S. producer questionnaire response, section III-14.

² ***, ***.

³ ***. Email from *** and ***’s U.S. producer questionnaire response, sections II-7 and II-11.

Operations on SVSEs

Figure VI-1 presents each responding firm's share of the total reported net sales quantity in 2019. Table VI-1 presents aggregated data on U.S. producers' operations in relation to SVSEs over the period examined, while table VI-2 presents corresponding changes in average unit values. Table VI-3 presents selected company-specific financial data.

Figure VI-1
SVSEs: Share of net sales quantity, by firm, 2019

* * * * *

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-1
SVSEs: Results of operations of U.S. producers, 2017-19

Item	Fiscal year		
	2017	2018	2019
	Quantity (units)		
Commercial sales	***	***	***
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Total net sales	***	***	***
	Value (1,000 dollars)		
Commercial sales	***	***	***
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Total net sales	***	***	***
Cost of goods sold.-- Raw materials	***	***	***
Direct labor	***	***	***
Other factory costs	***	***	***
Total COGS	***	***	***
Gross profit	***	***	***
SG&A expense	***	***	***
Operating income or (loss)	***	***	***
Interest expense	***	***	***
All other expenses	***	***	***
All other income	***	***	***
Net income or (loss)	***	***	***
Depreciation/amortization	***	***	***
Cash flow	***	***	***
	Ratio to net sales (percent)		
Cost of goods sold.-- Raw materials	***	***	***
Direct labor	***	***	***
Other factory costs	***	***	***
Average COGS	***	***	***
Gross profit	***	***	***
SG&A expense	***	***	***
Operating income or (loss)	***	***	***
Net income or (loss)	***	***	***

Table continued on next page.

Table VI-1—Continued
SVSEs: Results of operations of U.S. producers, 2017-19

Item	Fiscal year		
	2017	2018	2019
	Ratio to total COGS (percent)		
Cost of goods sold.-- Raw materials	***	***	***
Direct labor	***	***	***
Other factory costs	***	***	***
Average COGS	***	***	***
	Unit value (dollars per unit)		
Commercial sales	***	***	***
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Total net sales	***	***	***
Cost of goods sold.-- Raw materials	***	***	***
Direct labor	***	***	***
Other factory costs	***	***	***
Average COGS	***	***	***
Gross profit	***	***	***
SG&A expense	***	***	***
Operating income or (loss)	***	***	***
Net income or (loss)	***	***	***
	Number of firms reporting		
Operating losses	***	***	***
Net losses	***	***	***
Data	2	2	2

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
SVSEs: Changes in AUVs between calendar years

Item	Between fiscal years		
	2017-19	2017-18	2018-19
	Change in AUVs (dollars per unit)		
Commercial sales	***	***	***
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Total net sales	***	***	***
Cost of goods sold.--	***	***	***
Raw materials			
Direct labor	***	***	***
Other factory costs	***	***	***
Average COGS	***	***	***
Gross profit	***	***	***
SG&A expense	***	***	***
Operating income or (loss)	***	***	***
Net income or (loss)	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-3
SVSEs: Results of operations of U.S. producers, by firm, 2017-19

Item	Fiscal year		
	2017	2018	2019
	Total net sales (units)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Total net sales (1,000 dollars)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Cost of goods sold (1,000 dollars)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Gross profit or (loss) (1,000 dollars)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	SG&A expenses (1,000 dollars)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Operating income or (loss) (1,000 dollars)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Net income or (loss) (1,000 dollars)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	COGS to net sales ratio (percent)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Gross profit or (loss) to net sales ratio (percent)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***

Table continued on next page.

Table VI-3—Continued
SVSEs: Results of operations of U.S. producers, by firm, 2017-19

Item	Fiscal year		
	2017	2018	2019
	SG&A expense to net sales ratio (percent)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Operating income or (loss) to net sales ratio (percent)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Net income or (loss) to net sales ratio (percent)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Unit net sales value (dollars per unit)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Unit raw materials (dollars per unit)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Unit direct labor (dollars per unit)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Unit other factory costs (dollars per unit)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Unit COGS (dollars per unit)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Unit gross profit or (loss) (dollars per unit)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***

Table continued on next page.

Table VI-3—Continued
SVSEs: Results of operations of U.S. producers, by firm, 2017-19

Item	Fiscal year		
	2017	2018	2019
	Unit SG&A expenses (dollars per unit)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Unit operating income or (loss) (dollars per unit)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Unit net income or (loss) (dollars per unit)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Net sales

The industry's net sales quantity decreased from *** units in 2017 to *** units in 2019, and its net sales value decreased from \$*** in 2017 to \$*** in 2019. The net sales AUV increased from \$*** per unit in 2017 to \$*** per unit in 2019.^{4 5}

⁴ The increase in the total net sales AUV was attributable to an increase in the AUVs of ***. In response to questions by staff, the company indicated that the ***. Email from ***. In addition, while ***. ***'s U.S. producers questionnaire response at IV-2a.

⁵ The net sales AUVs of ***.

Cost of goods sold and gross profit or (loss)

As seen in table VI-1, raw material costs, direct labor, and other factory costs accounted for ***, ***, and *** percent of total COGS, respectively, in 2019. On a per-unit basis, total COGS for the industry increased from \$*** in 2017 to \$*** in 2019. As a ratio to net sales, total COGS increased irregularly from *** percent in 2017 to *** percent in 2019. This increase ***.⁶ Table VI-4 shows the value, average unit value, and share of value of raw materials, by type, for 2019.⁷

Table VI-4
SVSEs: U.S. producers' raw materials by type, 2019

Raw materials	Fiscal year 2019		
	Value (1,000 dollars)	Unit value (dollars per unit)	Share of value (percent)
Metal components	***	***	***
Plastic and rubber components	***	***	***
Other material inputs	***	***	***
Total, raw materials	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

As seen in table VI-1, net sales revenue decreased more than the decrease in total COGS between 2017 and 2019, which resulted in gross profit decreasing from \$*** in 2017 to \$*** in 2019.

⁶ ***.

⁷ *** reported purchasing inputs from related suppliers. ***. U.S. producer questionnaire responses, section III-7.

SG&A expenses and operating income or (loss)

As seen in table VI-1, the industry's SG&A expenses decreased between 2017 and 2019, from \$*** to \$***. *** accounted for the largest share of the decrease from 2017 to 2019, but the company's decrease was mostly in line with its decrease in net sales value, as the company's SG&A to net sales ratio only decreased by *** percentage points.⁸ The industry's SG&A expense ratio (the ratio of SG&A expenses to net sales value) decreased from *** percent in 2017 to *** percent in 2019.⁹

The industry reported ***. The operating ***.

All other expenses and net income or (loss)

The industry's total interest expense increased from \$*** in 2017 to \$*** in 2019. *** all other expenses. All other income decreased irregularly from \$*** in 2017 to \$*** in 2019. Net income worsened irregularly from ***.

Variance analysis

A variance analysis for the operations of U.S. producers of SVSEs is presented in table VI-5.¹⁰ The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. The information for this variance analysis is derived from

⁸ ***.

⁹ ***'s U.S. producer questionnaire response, section III-10.

¹⁰ The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

table VI-1. The analysis shows that the increase in operating income (i.e., the ***) between 2017 and 2019 was attributable to a favorable price variance (higher net sales AUVs) and a favorable volume variance, despite an unfavorable net cost/expense variance (higher cost/expense AUVs). Even though sales volumes declined by over *** percent from 2017 to 2019, the volume variance is positive because it is determined by multiplying the AUV of the beginning period operating income or (loss) by the change in the volume from the first period to the last. Since the industry *** in 2017, and the volume of net sales decreased between 2017 and 2019, the volume variance is positive because the industry was making fewer sales of product on which it was ***.

Table VI-5
SVSEs: Variance analysis on the operations of U.S. producers, 2017-19

Item	Between fiscal years		
	2017-19	2017-18	2018-19
	Value (1,000 dollars)		
Net sales:	***	***	***
Price variance			
Volume variance	***	***	***
Net sales variance	***	***	***
COGS:	***	***	***
Cost variance			
Volume variance	***	***	***
COGS variance	***	***	***
Gross profit variance	***	***	***
SG&A expenses:	***	***	***
Cost/expense variance			
Volume variance	***	***	***
Total SG&A expense variance	***	***	***
Operating income variance	***	***	***
Summarized (at the operating income level) as:	***	***	***
Price variance			
Net cost/expense variance	***	***	***
Net volume variance	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Capital expenditures and research and development expenses

Table VI-6 presents capital expenditures and R&D expenses by firm. The industry's capital expenditures increased from \$*** in 2017 to \$*** in 2018, but decreased to \$*** in 2019.¹¹ R&D expenses decreased from \$*** in 2017 to \$*** in 2019.¹²

Table VI-6
SVSEs: Capital expenditures and R&D expenses of U.S. producers, 2017-19

Item	Fiscal year		
	2017	2018	2019
	Capital expenditures (1,000 dollars)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
R&D expenses (1,000 dollars)			
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***

Note: As mentioned previously, ***.

Source: Compiled from data submitted in response to Commission questionnaires.

¹¹ *** U.S. producer questionnaire responses at III-13.

¹² ***'s U.S. producer questionnaire response at III-13.

Assets and return on assets

Table VI-7 presents data on the U.S. producers' total assets and their return on assets ("ROA").¹³ Total assets decreased from \$*** in 2017 to \$*** in 2019. *** accounted for the largest share of the total net assets and *** of the decrease.¹⁴

Table VI-7
SVSEs: U.S. producers' total assets and return on assets, 2017-19

Firm	Fiscal years		
	2017	2018	2019
	Total net assets (1,000 dollars)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***
	Operating return on assets (percent)		
Briggs & Stratton	***	***	***
Honda Power	***	***	***
All firms	***	***	***

Note: As mentioned previously, ***.

Source: Compiled from data submitted in response to Commission questionnaires.

¹³ The return on assets ("ROA") is calculated as operating income divided by total assets. With respect to a firm's overall operations, the total asset value reflects an aggregation of a number of assets which are generally not product specific. Thus, high-level allocations are generally required in order to report a total asset value for the subject product.

¹⁴ The company reported that its ***.

Capital and investment

The Commission requested U.S. producers of SVSEs to describe any actual or potential negative effects of imports of SVSEs from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Table VI-8 presents the number of firms reporting an impact in each category and table VI-9 provides the U.S. producers' narrative responses.

Table VI-8
SVSEs: Actual and anticipated negative effects of imports on investment, growth, and development, since January 1, 2017

Item	No	Yes
Negative effects on investment	***	***
Cancellation, postponement, or rejection of expansion projects		***
Denial or rejection of investment proposal		***
Reduction in the size of capital investments		***
Return on specific investments negatively impacted		***
Other		***
Negative effects on growth and development		***
Rejection of bank loans		***
Lowering of credit rating		***
Problem related to the issue of stocks or bonds		***
Ability to service debt		***
Other		***
Anticipated negative effects of imports	***	***

Note: ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-9

SVSEs: Narratives relating to actual and anticipated negative effects of imports on investment, growth, and development, since January 1, 2017

Item / Firm	Narrative
Reduction in the size of capital investments:	
***	***
Return on specific investments negatively impacted:	
***	***
Lowering of credit rating:	
***	***
Ability to service debt:	
***	***
Other effects on growth and development:	
***	***
Anticipated effects of imports:	
***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Part VII: Threat considerations and information on nonsubject countries

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

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors¹--

- (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
- (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
- (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
- (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
- (V) inventories of the subject merchandise,*

¹ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

- (VI) *the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,*
- (VII) *in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),*
- (VIII) *the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and*
- (IX) *any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).²*

Information on the nature of the alleged subsidies was presented earlier in this; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. 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. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

² Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

The industry in China

The Commission issued foreign producers' or exporters' questionnaires to 50 firms believed to produce and/or export SVSEs from China.³ Usable responses to the Commission's questionnaire were received from two firms: Chongqing Kohler Engines, LTD ("Kohler") and Chongqing Zongshen General Power Machine Co., Ltd. ("Zongshen").⁴ These firms' exports to the United States were equivalent to approximately *** percent of reported U.S. imports of SVSEs from China by quantity in 2019.⁵ Kohler estimated in its questionnaire response that its production of SVSEs represented *** of total production of SVSEs in China in 2019, while Zongshen ***. Table VII-1 presents information on the SVSEs operations of the responding producers and exporters in China.

Table VII-1
SVSEs: Summary data on firms in China, 2019

Firm	Production (units)	Share of reported production (percent)	Exports to the United States (units)	Share of reported exports to the United States (percent)	Total shipments (units)	Share of firm's total shipments exported to the United States (percent)
Kohler	***	***	***	***	***	***
Zongshen	***	***	***	***	***	***
Total	***	100.0	***	100.0	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

EPA annual certification data for small nonroad spark-ignition engines list 14 firms that manufacture EPA certified vertical shaft engines from 99 to 224 cc in China for model year 2020. The firms and the specifications for the models that they produce in China are listed in table VII-2.

³ These firms were identified through a review of information submitted in the petition and contained in *** records.

⁴ Seven firms also submitted questionnaire responses that certified they had not produced or exported SVSEs since January 1, 2017.

⁵ This estimation was obtained by dividing the total number of exports to the United States in 2019 reported by responding firms by the total Chinese exports of SVSEs to the United States in 2019. See tables VII-4 and IV-2.

Table VII-2**SVSEs: Firms manufacturing EPA certified SVSEs in China, including range of engine types produced in China, model year 2020**

Firm	Type	Displacement	Maximum engine power
		(Cubic centimeters)	(kilowatts)
Chongqing Hwasdan Power Technology Company, Ltd.	Residential	149-224	2.5-4.1
ChongQing AM Pride Power & Machinery Co., Ltd	Extended life residential	223	4.6
Chongqing Dajiang Power Equipment Co. Ltd	Residential	150-196	2.7-3.5
Chongqing Dinking Power Machinery Co., Ltd	Residential	140-191	2.3-3.0
Chongqing Rato Technology Co., Ltd	Residential, commercial	121-224	2.0-4.3
Chongqing Shineray Agricultural Machinery Co., Ltd	Residential	208	4.1
Chongqing Zongshen General Power Machine Co., Ltd	Residential	149-224	2.5-4.3
Fujian Everstrong Lega Power Equipments Co.,Ltd	Residential	175	2.8
Honda	Commercial	163	3.2
Kawasaki Motors Corp., U.S.A.	Commercial	179	3.4
Kohler Co.	Residential, extended life residential, commercial	173-224	3.6-4.6
Lifan Industry (Group) Co., Ltd.	Residential	159-196	2.6-3.5
Loncin Motor Co., Ltd.	Residential	139-224	2.4-4.5
Qianjiang Group Wenling Jennfeng Industry Inc.	Residential	173	3.0

Source: EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small NRSI Engine Certification Data (Model years: 2011 – Present), January 24, 2020, <https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment>, retrieved April 12, 2020.

Changes in operations

As presented in table VII-3, producers in China reported operational and organizational changes since January 1, 2017.

Table VII-3**SVS engines: Reported changes in operations by producers in China, since January 1, 2017**

Item / Firm	Reported changes in operations
Coronavirus impact	
***	***
***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Operations on SVSEs

Table VII-4 presents information on the SVSEs operations of the two responding producers and exporters in China. The responding firms reported Europe, South America, Africa, Asia, and Australia as their principal export markets aside from the United States. Capacity of the responding firms decreased by *** percent between 2017 and 2019. Capacity of the firms is projected to increase in 2020 and 2021; however, at a level that is *** percent ***. SVSEs production of the responding Chinese firms increased *** percent between 2017 and 2018 and then decreased *** percent between 2018 and 2019 resulting in a total decrease of *** percent during the period. In 2021, production of the responding firms is projected to be lower than 2020 by *** percent. End-of-period inventories increased by *** percent between 2017 and 2018 and then decreased by *** percent between 2018 and 2019 resulting in a total increase of *** percent during the period. The firms' end-of-period inventories are projected to decrease from 2020 to 2021 by *** percent. Capacity utilization of the two firms decreased between 2017 to 2019 by *** percentage points. Capacity utilization is projected to increase between 2019 and 2020 by *** percentage points and then decrease between 2020 and 2021 by *** percentage points.

Total home market shipments of the responding firms increased between 2017 and 2018 by *** percent and then decreased between 2018 and 2019 by *** percent resulting in a decrease of *** percent during the period. Home market shipments are projected to increase in 2020 compared to 2019 by *** percent and increase again between 2020 and 2021 by *** percent. Export shipments to the United States increased between 2017 and 2018 by *** percent and then decreased between 2018 and 2019 by *** percent resulting in a decrease of *** percent during the period. Export shipments to the United States of the firms are projected to increase between 2019 and 2020 by *** percent and then decrease between 2020 and 2021 by *** percent.

Table VII-4
SVSEs: Data on industry in China, 2017-2019 and projection calendar years 2020 and 2021

Item	Actual experience			Projections	
	Calendar year			Calendar year	
	2017	2018	2019	2020	2021
	Quantity (units)				
Capacity	***	***	***	***	***
Production	***	***	***	***	***
End-of-period inventories	***	***	***	***	***
Shipments:					
Home market shipments:					
Internal consumption/ transfers	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***
Total home market shipments	***	***	***	***	***
Export shipments to:					
United States	***	***	***	***	***
All other markets	***	***	***	***	***
Total exports	***	***	***	***	***
Total shipments	***	***	***	***	***
	Ratios and shares (percent)				
Capacity utilization	***	***	***	***	***
Inventories/production	***	***	***	***	***
Inventories/total shipments	***	***	***	***	***
Share of shipments:					
Home market shipments:					
Internal consumption/ transfers	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***
Total home market shipments	***	***	***	***	***
Export shipments to:					
United States	***	***	***	***	***
All other markets	***	***	***	***	***
Total exports	***	***	***	***	***
Total shipments	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Alternative Products

One responding Chinese firm, ***, reported producing other products (***) on the same equipment and machinery used to produce SVSEs.

U.S. inventories of imported merchandise

Table VII-5 presents data on U.S. importers' reported inventories of SVSEs. Inventories of imports from China increased between 2017 and 2018 by *** percent and then decreased between 2018 and 2019 by ***, resulting in a net increase of *** percent during this period. From 2017 to 2019, imports from nonsubject sources increased from *** units to *** units. Total U.S. importers' end-of-period inventories of imports from all sources increased between 2017 and 2018 by *** percent and then decreased between 2018 and 2019 by *** percent, resulting in a net increase of *** percent during this period.

Table VII-5
SVSEs: U.S. importers' end-of-period inventories of imports by source, 2017-19

Item	Calendar year		
	2017	2018	2019
	Inventories (units); Ratios (percent)		
Imports from China Inventories	***	***	***
Ratio to U.S. imports	***	***	***
Ratio to U.S. shipments of imports	***	***	***
Ratio to total shipments of imports	***	***	***
Imports from nonsubject sources: Inventories	***	***	***
Ratio to U.S. imports	***	***	***
Ratio to U.S. shipments of imports	***	***	***
Ratio to total shipments of imports	***	***	***
Imports from all import sources: Inventories	***	***	***
Ratio to U.S. imports	***	***	***
Ratio to U.S. shipments of imports	***	***	***
Ratio to total shipments of imports	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. importers' outstanding orders

The Commission requested importers to indicate whether they imported or arranged for the importation of SVSEs from China after December 31, 2019. The data are presented in table VII-6.

Table VII-6
SVSEs: Arranged imports, January 2020 through December 2020

Item	Period				
	Jan-Mar 2020	Apr-Jun 2020	Jul-Sept 2020	Oct-Dec 2020	Total
	Quantity (units)				
Arranged U.S. imports from.-- China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Antidumping or countervailing duty orders in third-country markets

On February 3, 2020, Argentina initiated an antidumping investigation on imports of certain weeding machines and lawnmowers with a motor, specifically products classified under HS code subheadings 8467.29.99 and 8433.11.00.⁶ The mounted engines that are subject to this investigation may enter under 8433.11.00.

Information on nonsubject countries

GTA publishes data on global exports of engines, including those for subheading 8407.90 (other engines) and 8409.91 (parts for spark-ignition, internal combustion engines). However, both of these subheadings also include global trade of products outside the scope of these investigations, such as horizontal shaft engines and larger size vertical shaft engines. Due to this data limitation, GTA data is not included. EPA annual certification data for small nonroad spark-ignition engines list only two firms with EPA certified vertical shaft engines from 99 to 224 cc in nonsubject countries for model year 2019 and/or 2020: Honda (Japan) and Chongqing Dajiang Power Equipment Co., Ltd. (Vietnam).⁷

⁶ Global Trade Alert, “Argentina: Initiation of antidumping investigation on imports of certain lawnmowers and weeding machines from China,” <https://www.globaltradealert.org/intervention/78429/anti-dumping/argentina-initiation-ofantidumping-investigation-on-imports-of-certain-lawnmowers-and-weeding-machines-from-china>, retrieved April 12, 2020.

⁷ EPA, Annual Certification Data for Vehicles, Engines, and Equipment, Small NRSI Engine Certification Data (Model years: 2011 – Present), January 24, 2020, <https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-vehicles-engines-and-equipment>, retrieved April 12, 2020.

APPENDIX A

***FEDERAL REGISTER* NOTICES**

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
85 FR 16958, March 25, 2020	<i>Small Vertical Shaft Engines From China; Institution of Anti-Dumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations</i>	https://www.govinfo.gov/content/pkg/FR-2020-03-25/pdf/2020-06240.pdf
85 FR 20667, April 14, 2020	<i>Certain Vertical Shaft Engines Between 99cc and Up To 225cc, and Parts Thereof From the People’s Republic of China: Initiation of Countervailing Duty Investigation</i>	https://www.govinfo.gov/content/pkg/FR-2020-04-14/pdf/2020-07863.pdf
85 FR 20670, April 14, 2020	<i>Certain Vertical Shaft Engines Between 99cc and Up to 225cc, and Parts Thereof From the People’s Republic of China: Initiation of Less-Than-Fair-Value Investigation</i>	https://www.govinfo.gov/content/pkg/FR-2020-04-14/pdf/2020-07864.pdf

APPENDIX B

LIST OF STAFF CONFERENCE WITNESSES

CALENDAR OF PRELIMINARY CONFERENCE

Those listed below participated in the United States International Trade Commission’s preliminary conference. The Commission conducted its preliminary conference through submissions of written testimony and postconference briefs:

Subject: Small Vertical Shaft Engines from China
Inv. Nos.: 701-TA-643 and 731-TA-1493 (Preliminary)
Date: April 13, 2020

OPENING REMARKS:

In Support of Imposition (**Steve Orava**, King & Spalding LLP)
In Opposition to Imposition (**Jonathan T. Stoel**, Hogan Lovells (US) LLP)

**In Support of the Imposition of
Antidumping and Countervailing Duty Orders:**

King & Spalding LLP
Washington, DC
on behalf of

Briggs & Stratton Corporation

David Rodgers, Senior Vice President, Briggs & Stratton Corporation

Jeffrey Coad, Vice President Global Marketing and Product
Management, Engines and Power Group,
Briggs & Stratton Corporation

Stephen J. Orava)
) – OF COUNSEL
Clinton R. Long)

**In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:**

Hogan Lovells (US) LLP
Washington, DC
on behalf of

Toro Company and
Toro Purchasing Company

Bill Buenz, Commodity Manager – Engines, The Toro Company

Ross Hawley, Director of Marketing, The Toro Company

Jonathan T. Stoel)
) – OF COUNSEL
Nicholas R. Sparks)

Crowell & Moring LLP
Washington, DC
on behalf of

MTD Products Inc.

Steve Trumpler, Senior Vice President and General Manager,
MTD Products Inc's, Wheeled Products Division

Alexander Schaefer)
) – OF COUNSEL
Spencer Toubia)

-END-

APPENDIX C
SUMMARY DATA

Table C-1

SVS engines: Summary data concerning the U.S. market, 2017-19

(Quantity=units; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per unit; Productivity=Units per hour; and Period changes=percent--exceptions noted)

	Reported data			Period changes		
	Calendar year			Calendar year		
	2017	2018	2019	2017-19	2017-18	2018-19
U.S. consumption quantity:						
Amount.....	***	***	***	▼***	▼***	▼***
Producers' share (fn1).....	***	***	***	▼***	▼***	▼***
Importers' share (fn1):						
China.....	***	***	***	▼***	▲***	▼***
Nonsubject sources.....	***	***	***	▲***	▲***	▲***
All import sources.....	***	***	***	▲***	▲***	▲***
U.S. consumption value:						
Amount.....	***	***	***	▼***	▼***	▼***
Producers' share (fn1).....	***	***	***	▼***	▼***	▼***
Importers' share (fn1):						
China.....	***	***	***	▼***	▲***	▼***
Nonsubject sources.....	***	***	***	▲***	▲***	▲***
All import sources.....	***	***	***	▲***	▲***	▲***
U.S. importers' U.S. shipments of imports from:						
China:						
Quantity.....	***	***	***	▼***	▲***	▼***
Value.....	***	***	***	▼***	▲***	▼***
Unit value.....	***	***	***	▼***	▼***	▲***
Ending inventory quantity.....	***	***	***	▲***	▲***	▼***
Nonsubject sources:						
Quantity.....	***	***	***	▲***	▲***	▲***
Value.....	***	***	***	▲***	▲***	▲***
Unit value.....	***	***	***	▲***	▲***	▼***
Ending inventory quantity.....	***	***	***	▲***	▲***	▲***
All import sources:						
Quantity.....	***	***	***	▼***	▲***	▼***
Value.....	***	***	***	▲***	▲***	▲***
Unit value.....	***	***	***	▲***	▲***	▲***
Ending inventory quantity.....	***	***	***	▲***	▲***	▼***

Table continued on next page.

Table C-1--Continued

SVS engines: Summary data concerning the U.S. market, 2017-19

(Quantity=units; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per unit; Productivity=Units per hour; and Period changes=percent--exceptions noted)

	Reported data			Period changes		
	Calendar year			Calendar year		
	2017	2018	2019	2017-19	2017-18	2018-19
U.S. producers':						
Average capacity quantity.....	***	***	***	***	***	***
Production quantity.....	***	***	***	▼***	▼***	▼***
Capacity utilization (fn1).....	***	***	***	▼***	▼***	▼***
U.S. shipments:						
Quantity.....	***	***	***	▼***	▼***	▼***
Value.....	***	***	***	▼***	▼***	▼***
Unit value.....	***	***	***	▲***	▼***	▲***
Export shipments:						
Quantity.....	***	***	***	▼***	▼***	▼***
Value.....	***	***	***	▼***	▼***	▼***
Unit value.....	***	***	***	▼***	▲***	▼***
Ending inventory quantity.....	***	***	***	▼***	▼***	▼***
Inventories/total shipments (fn1).....	***	***	***	▼***	▼***	▲***
Production workers.....	***	***	***	▼***	▼***	▼***
Hours worked (1,000s).....	***	***	***	▼***	▼***	▼***
Wages paid (\$1,000).....	***	***	***	▼***	▼***	▼***
Hourly wages.....	***	***	***	▲***	▼***	▲***
Productivity.....	***	***	***	▼***	▲***	▼***
Unit labor costs.....	***	***	***	▲***	▼***	▲***
Net sales:						
Quantity.....	***	***	***	▼***	▼***	▼***
Value.....	***	***	***	▼***	▼***	▼***
Unit value.....	***	***	***	▲***	▲***	▲***
Cost of goods sold (COGS).....	***	***	***	▼***	▼***	▼***
Gross profit or (loss) (fn2).....	***	***	***	▼***	▼***	▼***
SG&A expenses.....	***	***	***	▼***	▼***	▼***
Operating income or (loss) (fn2).....	***	***	***	▲***	▲***	▼***
Net income or (loss) (fn2).....	***	***	***	▼***	▲***	▼***
Capital expenditures.....	***	***	***	▼***	▲***	▼***
Research and development expenses.	***	***	***	▼***	▼***	▼***
Net assets.....	***	***	***	▼***	▼***	▼***
Unit COGS.....	***	***	***	▲***	▼***	▲***
Unit SG&A expenses.....	***	***	***	▼***	▲***	▼***
Unit operating income or (loss) (fn2)....	***	***	***	▼***	▲***	▼***
Unit net income or (loss) (fn2).....	***	***	***	▼***	▲***	▼***
COGS/sales (fn1).....	***	***	***	▲***	▼***	▲***
Operating income or (loss)/sales (fn1).	***	***	***	▼***	▲***	▼***
Net income or (loss)/sales (fn1).....	***	***	***	▼***	▲***	▼***

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Table C-1--Continued

SVS engines: Summary data concerning the U.S. market, 2017-19

(Quantity=units; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per unit; Productivity=Units per hour; and Period changes=percent--exceptions noted)

	Reported data			Period changes		
	Calendar year			Calendar year		
	2017	2018	2019	2017-19	2017-18	2018-19

Note.--Shares and ratios shown as "0.0" percent represent non-zero values less than "0.05" percent (if positive) and greater than "(0.05)" percent (if negative). Zeroes, null values, and undefined calculations are suppressed and shown as "---". Period changes preceded by a "▲" represent an increase, while period changes preceded by a "▼" represent a decrease.

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Percent changes only calculated when both comparison values represent profits; The directional change in profitability provided when one or both comparison values represent a loss.

Source: Compiled from data submitted in response to Commission questionnaires.

