UNITED STATES TARIFF COMMISSION

AUTOMOTIVE SPRINGS, CLUTCH DISCS, AND REAR DECK LID TORSION BARS: FORMER WORKERS OF THE EATON CORP. PLANT DETROIT, MICH.

Report to the President
on Investigation No. TEA-W-220
Under Section 301(c)(2) of the Trade Expansion Act of 1962

TC Publication 650
Washington, D.C.
February 1974

UNITED STATES TARIFF COMMISSION

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CONTENTS

	Page
Report to the President	1
Finding of the Commission	2
Views of Vice Chairman Parker and Commissioners Leonard and Young	3
Dissenting views of Commissioners Moore and Ablondi	7
Information obtained in the investigation:	
Description of the products	A-1
U.S. tariff treatment:	
Current classifications and rates of duty	A-3
Tariff history	A-4
Domestic demand, market practices, and apparent U.S. consumption:	
Domestic demand	A-6
Market practices	A-8
Apparent U.S. consumption	A-10
U.S. producers and shipments	A-11
U.S. imports	A-13
Eaton Corp	A-15
The Suspension Division:	
Detroit facilities	***
St. Catharines facilities	***
Shipments	***
Employment and man-hours	***
Wage rates and labor relations	***
Cost/price comparisons	***
Corporate options	A-26
Appendix A. Statistical tables	A-28
Appendix B. Statement of Eaton Corp	***
Appendix C. Statement of UAW	A-43

Tables

1. U.S. rates of duty applicable to imports of automotive springs, clutch discs, and rear deck lid torsion bars, 1930-73	A-29
2. Specified automotive parts: Apparent consumption in the assembly of original motor vehicles (passenger cars and trucks) manufactured in the United States, by domestic and foreign sources, 1968-73	***
3. Springs and leaves for springs, of base metal and suitable for motor-vehicle suspension: U.S. imports for consumption, by dutiable entries from Canada and all other countries (TSUS item 652.84) and by duty-free entries from Canada (TSUS item 652.85), 1968-72, January-October 1972, and January-October 1973	A-31

CONTENTS

Page

4. Springs and leaves for springs, of base metal (except springs for motor-vehicle suspension and hairsprings): U.S. imports for consumption, by dutiable entries from Canada and all other countries (TSUS item 652.88) and by duty-free entries from Canada (TSUS item 652.89), 1968-72, January-October 1972, and January-October 1973---------- A-32

5. Certain parts of motor vehicles not separately provided for: U.S. imports for consumption, by dutiable entries from Canada and all other countries (TSUSA item 692.2770) and by duty-free entries from Canada (TSUSA item 692.2870), 1968-72, January-October 1972, and January-October 1973---------- A-33

6. Detroit, Mich., plant of the Eaton Corp.: Annual shipments, by specified product lines, 1968-73---------- ***

7. Detroit, Mich., plant of Eaton Corp.: Average number of production and related workers, 1968-71 and, by quarters, January 1972-August 1973---------- ***

8. Detroit, Mich., plant of Eaton Corp.: Number of man-hours worked by production and related workers, 1968-71 and, by quarters, January 1972-August 1973------- ***

9. Specified automotive parts: Constructed duty-paid value of import from St. Catharines based on current rate of duty (variant 1) and rates applicable absent duty-free provisions of APTA (variant 2) and all trade-agreement concessions (variant 3), compared with exfactory costs at Detroit, together with gain or loss on transaction at 1973 selling price---------- ***

Note.--The whole of the Commission's report to the President may not be made public since it contains information that could result in the disclosure of the operations of an individual concern. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. Tariff Commission
February 5, 1974.

To the President:

In accordance with sections 301(f)(1) and 301(f)(3) of the Trade Expansion Act of 1962 (76 Stat. 872; 19 U.S.C. 1801), the U.S. Tariff Commission herein reports the results of investigation No. TEA-W-220 made under section 301(c)(2) of the act to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with automotive springs, clutch discs, and rear deck lid torsion bars (of the types provided for in items 652.84, 652.85, 652.88, 652.89, 692.27 and 692.28 of the Tariff Schedules of the United States (TSUS)) produced by Eaton Corporation at its Detroit, Michigan, plant are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of such firm or an appropriate subdivision thereof.

The investigation was instituted on December 18, 1973, on the basis of a petition for adjustment assistance filed December 7, 1973, by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) under section 301(a)(2) of the act on behalf of the workers.

Public notice of the receipt of the petition and the institution of the investigation was published in the Federal Register (39 F.R. 27) on January 2, 1974. No public hearing was requested and none was held.

In the course of its investigation, the Commission obtained information from the Eaton Corporation, from the major U.S. automobile producers, from the UAW, from fieldwork by the Commission staff, and from its own files.

Finding of the Commission

On the basis of its investigation, the Commission finds (Commissioners Moore and Ablondi dissenting) that articles like or directly competitive with automotive springs, clutch discs, and rear deck lid torsion bars (of types provided for in items 652.84, 652.85, 652.88, 652.89, 692.27 and 692.28 of the Tariff Schedules of the United States) produced by the Detroit, Michigan, plant of Eaton Corporation are not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such firm or an appropriate subdivision thereof.

Views of Vice Chairman Parker and Commissioners
Leonard and Young 1/

This investigation relates to a petition for adjustment assistance under section 301(c)(2) of the Trade Expansion Act of 1962 on behalf of the former workers of the Detroit, Mich., plant of the Eaton Corp.

Under the Trade Expansion Act of 1962, four criteria must be met in order for an affirmative determination to be made. Those criteria are as follows:

(1) Articles like or directly competitive with those produced by the workers concerned must be imported in increased quantities;

(2) Increased imports must be the result in major part of concessions granted under trade agreements;

(3) The workers concerned must be unemployed or underemployed, or threatened with unemployment or underemployment; and

(4) Increased imports resulting from trade-agreement concessions must be the major factor causing or threatening to cause the unemployment or underemployment.

Without regard as to whether the other criteria are satisfied, it is our judgment that the fourth criterion has not been met. That criterion requires a finding that concession-generated imports must have been the major factor in causing the unemployment or underemployment of the workers involved. In this case, we believe

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1/ Chairman Bedell concurs in the result.

other factors have been more significant in the decision by Eaton to relocate production from Detroit, Mich., to St. Catharines in Canada and that it was these other factors which resulted in the closing of the Detroit plant and the resulting unemployment.

The Eaton Corp., a diversified concern with total sales in excess of $1 billion, produced automotive springs, clutch discs (Marshall), and rear-deck lid torsion bars at the Detroit plant where the petitioning workers were employed. The articles were sold to motor-vehicle manufacturers for assembly into new vehicles (the so-called original equipment market). * * *. After termination of production had been completed the Detroit plant was closed. Employment declined as the production cutbacks outlined above proceeded through their respective stages.

This is the second investigation under the TEA which the Commission has conducted on behalf of the former workers of Eaton's Detroit facility. 1/ The Commission conducted its first investigation, No. TEA-W-172, during the period December 1972-February 1973, prior

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1/ U.S. Tariff Commission, Automotive Springs, Clutch Discs, and Rear-Deck Lid Torsion Bars: Workers and Former Workers of the Eaton Corporation Plant, Detroit, Michigan,...Investigation No. TEA-W-172..., TC Publication 549, February 1973.

to the cessation of all employment at the Detroit plant. As a result of the first investigation, the Commission (Commissioners Moore and Ablondi dissenting, Commissioner Young not participating) determined that the petitioning workers did not satisfy the statutory criteria.

This second investigation was instituted following receipt by the Commission of a second petition and following the cessation of all employment at the Detroit plant. The Commission has conducted the second investigation on a de novo basis. 1/

As a result of this second investigation, we conclude that the causative factors relative to Eaton's decision to close its Detroit plant and the ensuing unemployment of workers have not changed from the first investigation. Eaton's primary source of competition for the products produced at the Detroit plant was other domestic producers, including the automakers. Information obtained in the investigation clearly shows that the transfer to St. Catharines was intended to enhance Eaton's competitive position in the U.S. market vis-a-vis U.S. producers. The Detroit plant was an old facility in need of extensive repair and updating * * *.

1/ Commissioner Leonard believes that the subject matter of this investigation was properly disposed of in Investigation No. TEA-W-172 and that the present investigation should not have been instituted.

Thus, the decision by Eaton to transfer production to St. Catharines resulted from its desire to meet domestic competition by reducing its costs of production.

Employment reductions at the Detroit plant began in the third quarter of 1972. Since Eaton did not begin importing the articles here under consideration until 1973, it is apparent that imports cannot be considered a factor in causing the workers' unemployment prior thereto. Moreover, the unemployment that occurred during 1973 resulted from the continuation of Eaton's policy to phase out production at the Detroit plant, a policy based on the factors outlined above. Therefore, imports also could not have been a factor causing the unemployment in 1973.

In view of the foregoing, we have concluded that any increased imports are not the major factor causing or threatening to cause the unemployment or underemployment of the petitioning workers.

Dissenting Views of Commissioners Moore and Ablondi

This is the second investigation conducted by the Commission under section 301(c)(2) of the Trade Expansion Act of 1962, in connection with workers formerly employed in the manufacture of automotive springs, clutch discs, and rear deck lid torsion bars at the Detroit, Mich., plant of the Eaton Corporation. In a minority opinion in the first investigation (TEA-W-172) 1/ we found that all of the requirements of section 301(c)(2) of the Act were satisfied, and that the workers and former workers were eligible to apply for adjustment assistance.

In the earlier Eaton workers' case (TEA-W-172) the majority of the Commission held as follows:

> We have made a negative determination because . . . the imports which have entered to date /emphasis added/ cannot be "the major factor" in causing, or threatening to cause, unemployment or underemployment of the petitioning workers.

Much of the remainder of the majority opinion centered on the premature nature of the workers' petition. The majority stated that those imports which "would have the most pronounced effects on employment at Detroit" (i.e., those from Eaton's facility at St. Catharines, Ontario) had not occurred because production of the articles involved had not, as of the date of that investigation, been transferred to St. Catharines. Moreover, in choosing to explain how TEA-W-172 differed from three similar affirmatively decided cases, the majority left the impression that once the technicality of the timing of the increased imports was settled, an affirmative determination was more likely.

1/ Automotive Springs, Clutch Discs, and Rear Deck Lid Torsion Bars: Workers and Former Workers of the Eaton Corporation Plant, Detroit, Michigan. Report to the President on Investigation No. TEA-W-172 . . ., TC Publication 549, March 1973.

The transfer occurred and the Detroit plant closed. Based on the facts developed in this investigation, which show even larger concession-generated imports of "like or directly competitive" articles than those reported in the earlier investigation, we conclude that our previous affirmative determination was correct. The evidence secured during the current investigation reinforces our conviction that the unemployed petitioning workers have met the requirements of section 301(c)(2) of the Act and they are eligible to apply for adjustment assistance.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of the Products

This investigation concerns five products, all components or subcomponents of motor vehicles (here limited to passenger automobiles and trucks), produced by the workers of Eaton Corp.'s Suspension Division plant at Detroit, Mich., prior to its closing in August 1973.

These products are (1) coil suspension springs, (2) regulator springs, (3) valve springs, (4) rear deck lid (trunk lid) torsion bars, and (5) "Marshall" discs.

Coil suspension springs are an integral part of the suspension systems of many motor vehicles. The bar from which such springs are manufactured varies from about 0.5 to 0.8 inch in thickness; the completed springs range from 3 to 7 inches in diameter and 12 to 24 inches in length. Coil springs are mounted under compression between the frame member and the upper or lower control arms (in front), or between the frame member and the axle housing (in the rear). They serve to moderate the jolts from the roadway so that only subdued oscillations are transmitted to the vehicle body, and they further serve to maintain tire adhesion with the road.

Suspension systems may also be designed to utilize either automotive flat leaf springs, which are comprised of one or several bow-shaped strips of spring steel, or torsion bars, which convert vertical movements into a twisting motion about a steel bar, one end

of which is fixed in the vehicle frame. In general, and in particular for U.S. passenger automobiles, either coil springs or torsion bars are used in front suspensions, and either coil springs or leaf springs, in the rear.

Regulator springs are small coiled strips of spring steel 3/8 to 1/2 inch wide and 1-1/2 to 3 inches in diameter when coiled. They are used in the raising and lowering operation of an automobile window.

Valve springs are used to return the intake and exhaust valves in an internal combustion engine to the valve seats. They vary in size according to the design of the engine, but in general the wire from which they are made ranges from 0.120 to 0.207 inch in thickness; the completed springs are generally about 1 inch in diameter, contain seven or eight coils, and extend to 2 inches in length.

Rear deck lid torsion bars, which operate on essentially the same principle as suspension torsion bars, are used to counterbalance the weight of the opened automobile trunk. They are from 0.331 to 0.406 inch in thickness and vary in length according to the make of the automobile for which intended.

Marshall discs, an internal company description, are specialized stampings used as clutch discs in the limited slip differentials manufactured in Eaton Corp.'s Fluid Power Division plant at Marshall, Mich.

All five products are used as original equipment in the manufacture and assembly of motor vehicles. They are produced to meet the specifications provided by the buyers for their installation in specific motor vehicles or vehicle components.

U.S. Tariff Treatment

Current classifications and rates of duty

Imported articles of the types formerly produced in Eaton Corp.'s Detroit, Mich., plant are classified under six items in the Tariff Schedules of the United States (TSUS). All items have been subject either to concessions under trade agreements or to rate modifications deemed as such by statute.

Imports of coil suspension springs are classified under TSUS item 652.84, which provides for springs and leaves for springs, of base metal and suitable for motor-vehicle suspension. The current trade-agreement rate of duty, 4 percent ad valorem, went into effect on January 1, 1972, and represents, as do all the rates discussed in this paragraph, the fifth and final stage of the Kennedy Round of negotiations under the General Agreement on Tariffs and Trade (GATT). Regulator springs and valve springs are classified under TSUS item 652.88, which provides for springs and leaves for springs, of base metal, except those suitable for motor-vehicle suspension and hairsprings. The current trade-agreement rate of duty is 9.5 percent ad valorem. Rear deck lid torsion bars and Marshall (clutch) discs are classified

under TSUS item 692.27. This is a broad classification which includes parts for motor vehicles not separately provided for. The current trade-agreement rate of duty is 4 percent ad valorem.

In addition to the tariff classes above, separate TSUS items cover the duty-free treatment authorized by the Automotive Products Trade Act of 1965 (APTA). 1/ Accordingly, imported articles, if Canadian articles and original motor-vehicle equipment fitting the descriptions above, are classifiable under TSUS items 652.85, 652.89, and 692.28 and are free of duty.

Pursuant to section 301 of APTA, the duty-free treatment is considered to be a concession granted under a trade agreement for the purposes of tariff adjustment and adjustment assistance under the Trade Expansion Act of 1962.

Tariff history

Table 1 presents, for the period 1930-73, a chronology of U.S. rates of duty applicable to the TSUS items under which the articles considered here are currently imported. In general, trade-agreement concessions have ranged from 100 percent (i.e., complete elimination

1/ To implement the agreement between the United States and Canada concerning automotive products, the APTA (79 Stat. 1016) was enacted and became effective on Jan. 18, 1965. This act authorized the President to proclaim modifications of the TSUS to provide for the duty-free treatment of any Canadian article which is original motor-vehicle equipment as specified in the act. Such modifications were proclaimed (Presidential Proclamation No. 3682, Oct. 21, 1965) and entered into force on Dec. 20, 1965, with respect to imports entered on or after Jan. 18, 1965.

of duties applicable, for those articles accorded duty-free treatment under the APTA) to 62 percent of the rate provided in the Tariff Act of 1930.

Under the Tariff Act of 1930, coil suspension springs, regulator springs, valve springs, rear deck lid torsion bars, and clutch discs would, if imported, have been dutiable under paragraph 369(c), which provided for motor vehicle parts (except tires and tubes, and those in chief value of glass) at a rate of 25 percent ad valorem.

Under authority conferred in section 350 of the Tariff Act of 1930 (the Reciprocal Trade Agreements Act of 1934, and all amendments), the rate under paragraph 369(c) was reduced to 12.5 percent ad valorem as a concession under the GATT, effective January 1, 1948. In subsequent GATT negotiations, the trade-agreement rate of duty was reduced to 8.5 percent on July 1, 1963.

On August 31, 1963, the Tariff Schedules of the United States became effective. Under the new tariff items, the treatment of motor-vehicle suspension springs and unspecified motor-vehicle parts continued without rate changes. Other springs (including regulator and valve springs), however, were placed in a separate tariff item that combined into a single rate description numerous other rate descriptions applicable to springs, and they became dutiable at a rate of 19 percent ad valorem. 1/ In 1965 the Tariff Schedules

1/ This rate represented the rate of duty applicable to the bulk of imports formerly entered under par. 397, which included articles, not specially provided for, partly or wholly manufactured.

Technical Amendments Act (79 Stat. 933) and the APTA necessitated redesignating the original TSUS items into their current numbers.

The most recent trade-agreement concessions on any of the items here considered were negotiated during the Kennedy Round. The rates existing on July 1, 1962, 1/ were reduced the maximum allowable (i.e., 50 percent plus rounding to simplify computations), and the concessions were placed in effect in five annual stages beginning January 1, 1968.

Domestic Demand, Market Practices, and Apparent U.S. Consumption

Domestic demand

The annual domestic demand for automotive components used as original equipment is based on the annual domestic production of the final products (passenger cars and trucks) incorporating such components and, hence, is derived ultimately from consumer demand for the final products. 2/ Factors which influence automobile consumption include scrappage rates; population size, particularly the number of young people and those forming new households; population location, inasmuch as the concentration of families in suburban areas favors multiple car ownership; and disposable income. Other important factors

1/ Sec. 256(4) of the TEA defined this term as referring to the lowest nonpreferential rate established, or to which the United States was committed on such date.

2/ In assembly line operations, the projected production of automobiles affects the current production of automotive parts since the parts (components) must be in place, "on line," ready for final assembly.

include automobile prices, credit availability, time available for recreational purposes, and vehicle styling. Most previous demand analyses have not included estimates of costs and availability of fuel--factors now of paramount importance to industry and consumers. Thus, while domestic production of passenger automobiles reached a record 9.7 million units in 1973, production in December--the first month noticeably affected by the fuel shortage--was some 25 percent below that in December 1972. 1/ At least in the short run, the current fuel situation adds an element of uncertainty and portends revised production schedules and changes in product mix.

For the automotive parts here under consideration, changes within the industry can have pronounced effects on production, simply because not all vehicles use the same components. For example, although General Motors Corp. largely relied on coil springs in both front and rear suspensions of its 1973 domestic model passenger cars, Chrysler Corp. used torsion bar suspension in the front end and leaf springs in the rear. Ford Motor Co. generally used coil springs in both front and rear suspensions on its larger cars but used leaf springs in the rear suspension on smaller models.

The number of valve springs consumed in automobile assembly is, of course, affected by the number of cylinders per engine as well as the number of engines produced. In recent years the trend in the

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1/ Motor Vehicle Manufacturers Association of the United States, Inc.

automobile industry has been to smaller cars with smaller engines. Thus the proportion of V-8 engines decreased from 89 percent of total engine production in model year 1969 to 80 percent in model year 1972, while the proportion of four-cylinder engines increased from virtually zero to 9 percent in the same period. 1/ This trend is expected to continue, owing in large part to considerations of fuel cost and availability. The consumption of regulator springs has been affected by the recent trend in body styles that incorporate fixed glass panels in place of retractable rear side windows. Hence, changes in automotive technology and design, consumer preference for certain makes, sizes, and models of cars, and the incorporation of newer car safety features exert considerable influence on the related consumption of automotive parts.

Finally, the demand for automotive parts is also affected by such factors as strikes and shortages of essential parts or raw materials which cause slowdowns or shutdowns of the car manufacturers' assembly line operations.

Market practices

Automobile components in the original-equipment-manufacturer (OEM) market are generally sold on a contract-price basis. An automobile manufacturer requests, for example, a coil suspension spring for a vehicle to be assembled during a given model year. The

1/ Automotive Industries, Apr. 1, 1973, p. 60.

request includes specifications for the materials used, and the size, weight, test limitations, and performance characteristics of the finished spring. The car manufacturer's purchasing department then solicits bids from potential suppliers. The engineering departments of the car manufacturers and the parts suppliers usually maintain close contact in product development. Suppliers that can meet the specifications then bid on the contract, normally quoting a price f.o.b. supplier's factory. The decision to award contracts includes considerations of the financial responsibility, facilities, engineering or technical competence, managerial ability, and, of course, past performance. Successful bidders are notified that they will receive all or a portion of the contract requirement for a certain car make and model year. The car manufacturer then issues periodic releases to direct the supplier to produce and/or ship the articles, according to time schedules, to specific automobile assembly plants.

Although automobile components are also produced and sold to the replacement or "after" market, all of the automotive components here considered (i.e., those formerly produced at Eaton's Detroit Suspension Division plant) were sold as original motor-vehicle equipment. The releases received at Eaton's Detroit plant directed shipment to the new car assembly sites, rather than to the service (replacement) inventories of the car manufacturers. According to Eaton Corp. officials, the Suspension Division plant traditionally produced as original motor-vehicle equipment, and its operations were not suited

to making frequent changeovers and short production runs, which characterize the production demands for the replacement market.

Apparent U.S. consumption

* * *, the value of the automotive springs, clutch discs for slip disc (limited slip) differentials, and rear deck lid torsion bars, used as original motor-vehicle equipment, increased from $79.1 million in 1968 to $123.4 million in 1973.

* * *

The pattern of consumption generally followed that of motor-vehicle production. The low point for recent years, when the value of consumption dropped to $69.5 million, coincided with a poor motor-vehicle year, 1970,

when the economic performance of the country as a whole was generally poor and motor-vehicle production was adversely affected by a long strike against the General Motors Corp. The sharply improved performance in 1971, 1972, and 1973 was brought on by the increased automobile production spurred by the elimination of the 7-percent automobile excise tax (effective Aug. 15, 1971), the mandatory system of price controls imposed at the same time, and generally improved economic conditions. The competitive position of U.S.-produced smaller cars relative to imported models was also changed during this period by the imposition of the surcharge and by currency revaluations of August-December 1971 and February-March 1973. Probably the increased popularity of smaller, less expensive models also contributed to the high level of production. Preliminary data for 1973 indicates that U.S. production of motor vehicles (including buses) amounted to about 12.7 million units, increasing from 11.3 million units in 1972.

U.S. Producers and Shipments

About 15 U.S. producers manufacture motor-vehicle components which include the three types of springs, clutch discs, and torsion bars considered in this investigation. Most of the plants of these firms are situated in Michigan within relatively short-range shipping distance to the assembly plants of the major U.S. motor-vehicle producers. There are also plants in the nearby States of Illinois, Indiana, Ohio, and Pennsylvania.

To develop data on U.S. shipments for the OEM market, the Tariff Commission requested that the major U.S. manufacturers of motor vehicles report the quantity of specified automotive springs, clutch discs (for slip disc differentials), and rear deck lid torsion bars produced in the United States in their own plants or those of supplier firms and used in the assembly of passenger automobiles and trucks. Responses received covered almost all of U.S. motor-vehicle production. * * *.

The great bulk of U.S. shipments of coil suspension springs consisted of units produced by the automobile manufacturers themselves. Total shipments of such springs were higher in 1973 and lower in 1970 than they were in other recent years. Regulator springs and valve springs were generally supplied by U.S. firms other than the automobile manufacturers. U.S. shipments of regulator springs were higher in 1973 than they were in other recent years. Shipments of valve springs were higher in 1973 than in any other recent year. U.S. shipments of clutch discs were highest in 1969. U.S. shipments of rear deck lid torsion bars originating with supplier firms were generally lower after 1969 than they were before, partly because of a shift to procurement from Canada. In 1973 these shipments rebounded to their 1968 and 1969 levels.

U.S. Imports

Official statistics do not provide separate data on imports of coil suspension springs, regulator springs, valve springs, rear deck lid torsion bars, or Marshall (clutch) discs. For example, the TSUS includes coil suspension springs with automotive leaf springs and leaves for springs. Unless separately classified as items covered by the APTA (in which case their use as original motor-vehicle equipment is required), imports of motor-vehicle suspension springs include replacement springs for both U.S.- and foreign-made vehicles. As shown in table 3, the value of imports of motor-vehicle suspension springs (TSUS item 652.84) increased from $1.7 million in 1968 to $13.6 million in 1972. During January-October 1973 the value of these imports totaled $13.9 million, 28 percent greater than during the corresponding period in 1972. The value of the same type of articles imported duty free under the APTA (TSUS item 652.85) increased from $34.9 million in 1968 to $56.1 million in 1972. During January-October 1973, the value of these imports totaled $60.2 million, 36 percent greater than during the corresponding period in 1972. Tables 4 and 5 provide import data for the statistical classes in which the remainder of the products here considered are reported. As shown, imports of items in these classes have increased.

To develop more precise data, the Tariff Commission requested that the four major U.S. motor-vehicle manufacturers supply data on the quantity of specified automotive products (used in the assembly

of passenger cars and trucks) imported from Canada and all other countries. * * *, imports of coil suspension springs from Canada increased steadily from 1968 to 1973. * * *.

Traditionally, U.S. motor-vehicle manufacturers have generally relied on U.S. or Canadian plants for components of vehicles assembled in the United States. Eaton Corp., with the transfer of production from its Detroit plant to St. Catharines, Ontario, completed in 1973, became a major importer of these products rather than a domestic producer.

Eaton Corp.

The Eaton Corp., the owner of the Detroit plant, is a large, diversified corporation, incorporated in Ohio in 1916 as the Torbensen Axle Co. The company changed its name in 1923 to Eaton Axle & Spring Co. and in 1932 to Eaton Manufacturing Co. Assets of Yale & Towne Manufacturing Co. were acquired in 1963, and the company operated as Eaton Yale & Towne, Inc. until 1971, when it acquired its present name.

Eaton manufactures some 4,000 different products categorized as components for trucks and automobiles, materials handling equipment and systems, industrial products and power transmission systems, builders' hardware, and locks and security systems. Net sales of all products were valued at $1,141 million through the first 9 months of 1973, compared with $898 million during the same period in 1972 and $1,223 million in the full year 1972.

Vehicle components have been the principal line of business for Eaton. Major product lines in this group include drive axles, transmissions, and brake assemblies for trucks and off-highway vehicles, net sales of which amounted to $355 million in 1972. Net sales of automobile components, including engine parts, leaf and coil springs, limited slip differentials, and automotive air-conditioning equipment and components, amounted to $275 million in 1972.

Eaton's divisions and subsidiaries operate more than 122 plants in 17 States, Canada, and numerous other countries. Employees, as of December 31, 1972, totaled more than 45,000 people.

The Suspension Division

Detroit facilities.--

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St. Catharines facilities.--

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Shipments.--

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Employment and man-hours.--

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Wage rates and labor relations.--

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Cost/price comparisons.--

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A-23 through A-25

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Corporate options

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APPENDIX A

STATISTICAL TABLES

Table 1.--U.S. rates of duty applicable to imports of automotive springs, clutch discs, and rear deck lid torsion bars, 1930-73

(In percent ad valorem)

Effective date and authority for change	Articles and TSUS item numbers applicable to imports					
	Coil suspension springs		Regulator springs and valve springs		Clutch discs and rear deck lid torsion bars	
	Item 652.84	Item 652.85 1/	Item 652.88	Item 652.89 1/	Item 692.27	Item 692.28 1/
June 18, 1930 (par. 369(c) Tariff Act)	25	25	25	25	25	25
Jan. 1, 1948 (GATT, First Round)	12.5	12.5	12.5	12.5	12.5	12.5
June 30, 1956 (GATT, Fourth Round)	11.5	11.5	11.5	11.5	11.5	11.5
June 30, 1957 (GATT, Fourth Round)	11	11	11	11	11	11
June 30, 1958 (GATT, Fourth Round)	10.5	10.5	10.5	10.5	10.5	10.5
July 1, 1962 (GATT, Fifth Round)	9.5	9.5	9.5	9.5	9.5	9.5
July 1, 1963 (GATT, Fifth Round)	8.5	8.5	8.5	8.5	8.5	8.5
Aug. 31, 1963 (TSUS)	8.5	8.5	2/ 19	2/ 19	8.5	8.5
Jan. 18, 1965 (APTA) 3/	8.5	Free	19	Free	8.5	Free
Jan. 1, 1968 (GATT, Sixth Round)	7.5	Free	17	Free	7.5	Free
Jan. 1, 1969 (GATT, Sixth Round)	6.5	Free	15	Free	6.5	Free
Jan. 1, 1970 (GATT, Sixth Round)	5.5	Free	13	Free	5.5	Free
Jan. 1, 1971 (GATT, Sixth Round)	5	Free	11	Free	5	Free
Aug. 16, 1971 (surcharge)	4/ 5	Free	4/ 11	Free	4/ 5	Free
Dec. 20, 1971 (surcharge removed) 5/	5	Free	11	Free	5	Free
Jan. 1, 1972 (GATT, Sixth Round)	4	Free	9.5	Free	4	Free

1/ Applicable if Canadian article and original motor-vehicle equipment.

2/ Rate selected in the belief that most imports in this item formerly entered under par. 397 of the Tariff Act.

3/ Automotive Products Trade Act of 1965.

4/ By Presidential Proclamation No. 4074, an additional temporary duty (import surcharge) of 10 percent ad valorem was imposed for balance-of-payments purposes.

5/ Presidential Proclamation No. 4098 lifted the surcharge.

* * * * * * *

Table 3.--Springs and leaves for springs, of base metal and suitable for motor-vehicle suspension: 1/ U.S. imports for consumption, by dutiable entries from Canada and all other countries (TSUS item 652.84) and by duty-free entries from Canada (TSUS item 652.85), 1968-72, January-October 1972, and January-October 1973

(In thousands of dollars)

Period	Entered under item 652.84			Entered under item 652.85 from Canada
	From Canada	From all other countries	Total	
1968	1,269	428	1,697	34,947
1969	2,225	1,958	4,183	33,160
1970	2,979	2,817	5,796	36,825
1971	2,439	5,585	8,024	43,535
1972	2,491	11,146	13,637	56,140
January-October--				
1972	2,082	8,836	10,918	44,182
1973	2,159	11,781	13,940	60,224

1/ Includes coil suspension springs.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 4.--Springs and leaves for springs, of base metal (except springs for motor-vehicle suspension and hairsprings): 1/ U.S. imports for consumption, by dutiable entries from Canada and all other countries (TSUS item 652.88) and by duty-free entries from Canada (TSUS item 652.89), 1968-72, January-October 1972, and January-October 1973

(In thousands of dollars)

Period	Entered under item 652.88			Entered under item 652.89 from Canada
	From Canada	From all other countries	Total	
1968	343	925	1,268	1,292
1969	296	1,481	1,777	1,575
1970	413	1,741	2,154	1,516
1971	613	2,128	2,741	2,131
1972	449	2,806	3,255	3,697
January-October--				
1972	381	2,241	2,622	3,027
1973	1,004	3,685	4,689	6,173

1/ Includes regulator and valve springs.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 5.--Certain parts of motor vehicles not separately provided for: 1/ U.S. imports for consumption, by dutiable entries from Canada and all other countries (TSUSA item 692.2770) and by duty-free entries from Canada (TSUSA item 692.2870), 1968-72, January-October 1972, and January-October 1973

(In thousands of dollars)

Period	Entered under item 692.2770			Entered under item 692.2870 from Canada
	From Canada	From all other countries	Total	
1968	31,811	55,680	87,491	231,070
1969	44,649	68,955	113,604	282,373
1970	50,309	104,653	154,962	304,302
1971	64,562	154,520	219,082	432,681
1972	59,489	193,911	253,400	606,322
January-October--				
1972	40,768	161,195	201,963	487,072
1973	56,660	200,504	257,164	675,495

1/ Includes clutch discs and torsion bars.

Source: Compiled from official statistics of the U.S. Department of Commerce.

A-34 through A-39

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APPENDIX B

STATEMENT OF EATON CORP.

A-41 through A-42

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APPENDIX C

STATEMENT OF UAW

Solidarity House
8000 EAST JEFFERSON AVE.
DETROIT, MICHIGAN 48214
PHONE (313) 926-5000

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA-UAW

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JEN I. SCHLOSSBERG . . . GENERAL COUNSEL
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PHONE: 313-926-5216

February 13, 1973

RECEIVED
FEB 20 1973
OFFICE OF THE SECRETARY
U. S. TARIFF COMMISSION

Kenneth R. Mason, Secretary
U.S. Tariff Commission
Tariff Commission Building
8th & E Streets, N.W.
Washington, D.C. 20436

Attn: [redacted]

Re: Petition for Adjustment Assistance
Under the Trade Expansion Act
Eaton Corporation
Case No. TEA-W-172

Dear Mr. Mason:

The following constitutes a further statement of position of the International Union, UAW on behalf of the production and maintenance employees in the above-referenced matter. We ask that this statement be incorporated with our petition filed on December 20, 1972.

The "Antiquated Facility" Issue

In response to our questions with regard to the reasons for the relocation of the Detroit operation into Canada, the Eaton Corporation has replied that a prime consideration involves the "antiquated" nature of the Detroit facility. The UAW recognizes that the Detroit plant is physically old. However, the Union has been informed that the St. Catherine, Ontario facility is not a new plant. As to age of the physical structures, the St. Catherine facility is approximately forty years old, comparable to the Detroit plant. In addition, the age of the structure does not have a significant impact on overall productivity. As long as the building remains structurally sound, the plant itself has little relationship to unit costs. Indeed, the Company makes tacit

recognition of this relationship by the fact that the existing machinery and equipment is being transferred with the work to the Ontario plant.

The UAW also wishes to state that in negotiations with Eaton on the proposed relocation, other Detroit area locations, with newer physical facilities, were offered to the Company by the city of Detroit. Eaton, however, stated that the decision to leave Detroit was final and that other Detroit facilities were not feasible, regardless of cost, age, or location advantages.

We submit, therefore, that the "antiquated" plant issue is neither significant nor supported by managerial analysis.

An Economic Decision

Moreover, Eaton's alleged rationale for relocation makes it clear that economic reasons are the prime factors behind the relocation. Simply put, Eaton determined that it would be more profitable to produce the items presently made in Detroit in Ontario. We presume that this decision was made after a careful analysis of all productivity cost variables: raw materials, transportation, plant and equipment, labor and merchandising. The Canadian location must therefore represent the most economically advantageous location for this work.

Relocation at the 1930 Duty Rate

The key issue then essentially becomes whether or not this relocation would have occurred if the 1930 duty rate were still in effect. Clearly not. Canadian manufacture offers a substantial savings in labor costs, as Eaton's collective bargaining agreement with the U.E., covering the St. Catherine's plant, reveals. This has long been the case. However, so long as the tariff was in effect, it effectively dissipated the labor cost advantage of Canadian manufacture for import into the United States. The elimination of the auto tariff in 1965 made that advantage realizable, and Eaton is in the process of realizing it right now. Eaton's move to Canada, therefore, was plainly due "in major part" to the U.S.-Canadian Trade Agreement.

At St. Catherines, Ontario, Eaton Corporation is farther from its source of raw material supply (the Detroit area plants) and it's market (the Detroit area automotive plants). Transportation costs are therefore necessarily greater than at the Detroit location. If we add to these increased transportation costs the 1930 duty rates on steel moving from the United States to Canada and the 1930 duty rates on leaves and springs (25 - 45%) imported from Canada to the United States, it becomes patently clear that this relocation would not have occurred. We submit that trade agreement concessions since 1930 have created the economic conditions which made possible and resulted in management's decision to relocate the Detroit plant in Canada. We also call attention to two previous cases involving substantially similar claims which strongly support our position.

American Motors Corporation
TEA-W-27

In June 1970, the UAW filed a petition on behalf of the former soft trim workers who had been employed by the American Motors Corporation (AMC) at Wyoming, Michigan. (Case No. TEA-W-27). An equally divided Commission issued a report to the President. President Nixon subsequently ruled in favor of adjustment assistance for the workers.

In that case, AMC closed its Wyoming, Michigan plant, laying off the work force and phasing out its operations by mid-1969. The soft trim operation was simultaneously relocated at an existing Company facility in Stratford, Ontario. The domestic United States automotive factories formerly supplied by the Wyoming plant were thereafter supplied by the Canadian facility.

Commissioners Clubb and Moore found "that the economic advantage to AMC provided by trade agreement concessions since 1930 created the condition which resulted in the management decision to move the manufacturing activities of the Wyoming plant to Stratford, Ontario." Commissioners Clubb and Moore found that the decision of AMC to relocate in Canada was on economic grounds, based mainly on the comparative costs of producing in the United States versus importing from

Canada. The tariff reductions permitted the Company to select the Stratford, Ontario site as the most economical.

Chrysler Corporation
Case No. TEA-W-165

In August 1972, the UAW filed a petition on behalf of the former office clerical, production and maintenance workers who had been employed by the Chrysler Corporation at Commerce, California. (Los Angeeles Assembly, Case No. TEA-W-165). In its decision of February 9, 1973, the Commission ruled in favor of adjustment assistance for the laid off automobile employees.

In that case, Chrysler gradually phased out production at the Los Angeles plant. As domestic production declined, importation of Chrysler automobiles produced in Chrysler's Windsor, Ontario facility increased. Finally, in 1971, the Los Angeles facility was closed and the employees were laid off. Thus,domestic customers formerly purchasing cars produced in the United States are now buying these same models manufactured in the Canadian plant.

The Commission found that the Company's decision to phase out the Los Angeles operation, while expanding production and importation of these same models from the Windsor, Ontario plant, was based purely on economic factors. Thus, without the existence of tariff reductions, this readjustment in domestic versus foreign production, would not have been economically feasible.

The UAW sees almost no distinctions between the AMC and Chrysler cases and the present one. Eaton is relocating domestic operations of a given product line in Canada for purely economic reasons. Domestic automot ve customers thereafter will be supplied from the Canadian facility as opposed to the Michigan plant. Such a relocation would have been economically prohibitive if 1930 rates of duty were still applicable. We submit that the outcome of TEA-W-27 and TEA-W-165 cases mandate a favorable determination for adjustment assistance in this case.

Sincerely yours,

John A. Fillion

John A. Fillion, Associate
General Counsel

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