

UNITED STATES TARIFF COMMISSION

BICYCLE SPEEDOMETERS FROM JAPAN

Determination of Injury in
Investigation No. AA1921-98
Under the Antidumping Act, 1921, as Amended



TC Publication 513
Washington, D. C.
September 1972

UNITED STATES TARIFF COMMISSION

Catherine Bedell, *Chairman*

Joseph O. Parker, *Vice Chairman*

Will E. Leonard, Jr.

George M. Moore

J. Banks Young

Italo H. Ablondi

Kenneth R. Mason, *Secretary*

Address all communications to
United States Tariff Commission
Washington, D. C. 20436

UNITED STATES TARIFF COMMISSION
Washington, D.C.

[AA1921-98]

BICYCLE SPEEDOMETERS FROM JAPAN

Determination of Injury

On June 23, 1972, the Tariff Commission received advice from the Treasury Department that bicycle speedometers from Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended. ^{1/} In accordance with the requirements of section 201(a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission instituted investigation No. AA1921-98 to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

A public hearing was held August 8, 1972. Notice of the investigation and hearing was published in the Federal Register of June 30, 1972 (37 F.R. 13011).

In arriving at a determination in this case, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearing, and all factual information obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

^{1/} Notice of the Treasury Department's determination of sales at less than fair value, and the reasons therefor, was published in the Federal Register of June 24, 1972 (37 F.R. 12512).

On the basis of the investigation, the Commission has determined by a vote of 4 to 1 1/ that an industry in the United States is being injured by reason of the importation of bicycle speedometers from Japan that are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

1/ Chairman Bedell, Vice Chairman Parker, and Commissioners Leonard and Moore determined in the affirmative; Commissioner Ablondi determined in the negative. Commissioner Young did not participate in the decision.

Statement of Reasons for Affirmative Determination of
Chairman Bedell, Vice Chairman Parker, and
Commissioners Leonard and Moore

The Antidumping Act, 1921, as amended, requires that the Tariff Commission find two conditions satisfied before an affirmative determination can be made.

First, there must be injury, or likelihood of injury, to an industry in the United States, or an industry in the United States must be prevented from being established.

And second, such injury (or likelihood of injury or prevention of establishment) must be "by reason of" the importation into the United States of the class or kind of foreign merchandise the Secretary of the Treasury determined is being, or is likely to be, sold at less than fair value.

In our judgment both of the aforementioned conditions are satisfied in the instant case. We have determined, therefore, that an industry in the United States is being injured by reason of the importation of bicycle speedometers from Japan that are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act of 1921, as amended.

The industry

In reaching our determination, we have considered the industry to consist of the facilities in the United States devoted to the manufacture of bicycle speedometers. Bicycle speedometers are produced in the United States by only one company--the Stewart-Warner Corporation--at a plant in Chicago, Illinois.

Sales at less than fair value

U.S. imports of bicycle speedometers from Japan have risen greatly in volume in recent years, resulting in a dominant market position for the Japanese product. Imports of such speedometers from Japan rose from less than 25,000 in 1968 to more than 450,000 in 1971; they amounted to almost 500,000--more than in all of 1971--during the first 6 months of 1972. On the basis of quantity, the ratio of imports from Japan to apparent U.S. consumption jumped from less than 3 percent in 1968 to 59 percent in 1971. In January-June 1972, imports of Japanese bicycle speedometers supplied 66 percent of apparent consumption compared with 55 percent in the corresponding period of 1971.

The Treasury investigated sales of Japanese bicycle speedometers to the United States in 1971, and determined that the bulk of such speedometers imported in that year had been sold at less than fair value. The difference between the purchase price of the speedometer sold to the United States and the home-market price of speedometers found by the Treasury to be comparable was pronounced, and thus the amount by which such sales were below fair value--the so-called dumping margin--was substantial.

Injury

All of the pertinent information available to the Commission in the investigation indicates that the domestic industry producing bicycle speedometers is injured. The production and sales of bicycle speedometers by Stewart-Warner (the sole U.S. producer), the man-hours expended by its workers in the manufacture of such speedometers, the prices received for speedometers, and the company's earnings on the sale of speedometers have

all deteriorated materially. In 1971, the year covered by Treasury's investigation in which it determined that bicycle speedometers from Japan were being sold at less than fair value, Stewart-Warner's production of bicycle speedometers, as well as the quantity and value of its sales of such articles, were only about a third as large as in 1968 (when imports of bicycle speedometers from Japan had not yet begun their phenomenal growth). The man-hours expended by the employees of Stewart-Warner in the manufacture of bicycle speedometers in 1971 were little more than a third as large as 1968. In 1970, a year when imports of bicycle speedometers from Japan attained a dominant (58 percent) position in the U.S. market, Stewart-Warner reduced its prices of speedometers--generally selling its models to its largest customers at the lowest price at which any model had previously been offered; these depressed price levels have been continued to the present. In 1971, reflecting depressed price levels and low production, Stewart-Warner sustained a substantial net operating loss on its bicycle speedometer operations; it had earned a substantial net operating profit in 1968 before sales and prices declined.

In the first half of 1972, Stewart-Warner's bicycle speedometer operations partially improved. The company's output and sales of such speedometers rose concurrently with growing consumption that resulted from the bicycle boom in the United States; the company also regained some customers who had shifted to imports. However, the imports of Japanese speedometers supplied an even larger share of the U.S. market than in earlier periods, and, despite the strong demand in the United States, the prices at which Stewart-Warner was able to sell its speedometers remained at the depressed level of 1971 and earlier years. Thus, the industry has continued to be injured.

"By reason of"

As is evident from the data given above, the expansion of Japanese exports of bicycle speedometers to the United States and the deterioration of the U.S. industry occurred simultaneously. By 1971, the period on which Treasury based its determination of sales at less than fair value, Japanese suppliers had achieved a preponderant position in the U.S. market, and the share of the market held by the domestic industry had dropped greatly. Generally the Japanese speedometers have been sold in the United States at prices below those of bicycle speedometers produced by Stewart Warner. Hence, the increasing sales of the Japanese product at prices below those of the domestic product had their inevitable effect--Stewart-Warner reduced the prices of its speedometers and since has held its prices at that depressed level.

There is extensive evidence in this investigation that the growth of imports of Japanese speedometers is attributable in part to factors other than the price discrimination determined by the Treasury Department. At least in part because of dissatisfaction arising from late and incomplete deliveries by Stewart-Warner, as well as with the quality of the drive mechanism of the company's products, a number of major customers stopped or reduced their purchases from Stewart-Warner and began purchasing imported speedometers, chiefly from Japan. Moreover, the period of growing imports coincided with a substantial reduction in the U.S. rate of duty as a result of trade-agreement concessions granted at the Kennedy

Round; the U.S. import duty applicable to bicycle speedometers has been reduced, in five annual stages, from 55 percent to $27\frac{1}{2}$ percent ad valorem over the period 1968-72. Finally, the suddenly rising U.S. consumption of bicycle speedometers, in a delayed response to the bicycle boom, undoubtedly stimulated imports (as well as domestic production) in 1972.

The existence of causal factors such as these, however, does not preclude an affirmative determination in an antidumping case if the statutory criteria are satisfied. The fact is that Japanese bicycle speedometers are being sold at less than fair value. All that is required, then, for an affirmative determination is that an industry is being injured (or is likely to be injured, or is prevented from being established) by reason of the importation of such merchandise. In light of the very substantial market penetration of the imports sold at less than fair value coupled with their sale at prices below those of domestic bicycle speedometers produced by Stewart-Warner, the importation of Japanese bicycle speedometers sold at less than fair value has contributed to the injury sustained by the domestic industry. Although the domestic industry has experienced some improvement in 1972, the imported speedometers from Japan are supplying a larger share of the market than in earlier years, and the prices obtainable by the domestic industry remain depressed. Consequently, in conformity with the statute, we determine that an industry in the United States is being injured by reason of imports of bicycle speedometers from Japan sold at less than fair value.

