CITIZENS BAND (CB) RADIO TRANSCEIVERS

Report to the President on Investigation No. TA-201-29 Under Section 201 of the Trade Act of 1974

USITC Publication 852
February 1978

United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Daniel Minchew, Chairman
Joseph O. Parker, Vice Chairman
George M. Moore
Catherine Bedell
Italo H. Ablondi
Bill Alberger

Kenneth R. Mason, Secretary to the Commission

This report was prepared principally by

Marion M. Jacks, Investigator

assisted by

Marvin C. Claywell, Office of Legal Services
William B. Fletcher, Machinery and Equipment Division
Wallace Fullerton, Office of Economic Research
William W. Gearhart, Office of the General Counsel

Charles W. Ervin, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

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(202) 523-0161

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CONTACT: Hal Sundstrom
(202) 523-0161

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USITC OFFERS ALTERNATIVE REMEDY RECOMMENDATIONS FOR DOMESTIC CB INDUSTRY

The United States International Trade Commission today reported to the President that imports of citizens band radio transceivers are a substantial cause of serious injury, or the threat thereof, to domestic manufacturers.

Chairman Daniel Minchew and Commissioner Italo H. Ablondi found that serious injury to the domestic industry from such imports was already present. Vice Chairman Joseph O. Parker and Commissioners George M. Moore and Catherine Bedell determined there is a threat of serious injury to U.S. producers of CB radios. Commissioner Bill Alberger dissented.

The Commission was divided on its remedy recommendations to the President. Chairman Minchew and Commissioners Ablondi and Alberger determined that trade adjustment assistance under title II of the Trade Act of 1974 can effectively remedy the serious injury found to exist. Vice Chairman Parker and Commissioners Moore and Bedell voted to recommend the imposition of ad valorem import duties (except on hand-held units) of 36 percent in the first year with 5-percent reductions in four subsequent annual steps to prevent the injury threatening the domestic manufacturers by reason of increasing imports. Under the Trade Act, the President may accept, reject, or modify either set of the USITC recommendations.

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Imports of CB radios were valued at $839 million in 1976, up from $251 million in 1975; imports have declined in the past year but have increased their market share to 91 percent. During January-September 1977, Japan had 81 percent of the import market while Taiwan, Korea, and Hong Kong represented 9 percent, 4 percent, and 2 percent, respectively. These nations account for 96 percent of the CB radios imported and sold in the domestic market.

U.S. manufacturers had about 29 percent of the domestic market in the early 1970's, but their share has dropped to about 9 percent today.

During the period covered by the USITC investigation, four firms were responsible for the bulk of domestic production: E. F. Johnson Company, the largest U.S. producer, and Pathcom, Inc., Hy-Gain de Puerto Rico, and Motorola, Inc.

The average number of CB production and related workers dropped about 38 percent between January-June 1976 and the corresponding period in 1977. Since that time, three producers, accounting for about 33 percent of total domestic production in January-June 1977, have discontinued producing CB radios. Two companies have filed bankruptcy proceedings.

The USITC investigation began August 10, 1977, under section 201(b) of the Trade Act of 1974. The petitioner was the E. F. Johnson Company of Waseca, Minnesota.

The Commission's report, Citizens Band (CB) Transceivers (USITC Publication 852), contains the views of the Commissioners and information developed in the investigation (No. TA-201-29). Copies may be obtained by calling (202) 523-5178 or from the Office of the Secretary, United States International Trade Commission, 701 E Street NW., Washington, D.C. 20436.

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REPORT TO THE PRESIDENT

United States International Trade Commission
February 2, 1978

To the President:

In accordance with section 201(d)(1) of the Trade Act of 1974 (88 Stat. 1978), the United States International Trade Commission herein reports the results of an investigation relating to Citizens Band (CB) radio transceivers.

The investigation to which this report relates (investigation No. TA-201-29) was undertaken to determine whether--

> Citizens Band (CB) radio transceivers, provided for in item 685.25 of the Tariff Schedules of the United States (TSUS),

are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

The Commission instituted the investigation under the authority of section 201(b)(1) of the Trade Act on August 10, 1977, following receipt, on August 2, 1977, of a petition for import relief under section 201 filed by the E.F. Johnson Company.

The Commission held a public hearing on this matter in Washington, D.C., November 1-4, 1977. All interested persons were given an opportunity to be present, to present evidence, and to be heard.

Notice of the institution of the investigation and hearing was published in the Federal Register of August 16, 1977 (42 F.R. 41329).

The information for this report was obtained from field work and interviews by members of the Commission's staff, from other Federal agencies, from responses to the Commission's questionnaires, from information presented at the public hearing, from briefs submitted by interested parties, and from the Commission's files.

A transcript of the hearing and copies of briefs submitted by interested parties in connection with the investigation are attached. 1/

There were no significant imports of CB radio transceivers from countries whose imports are presently subject to the rates of duty set forth in column 2 of the TSUS. The import relief recommended herein, therefore, is not addressed to imports from such countries. Certain recommended relief measures would involve the imposition of rates of duty on imports from countries whose imports are currently subject to rates of duties in column 1 which are higher than the rates set forth in column 2. Should such recommended, or any other, rates of duty higher than the column 2 rates be proclaimed by the President, it would be necessary for him to conform column 2 by proclaiming rates thereof that are the same as those proclaimed in column 1. 2/

1/ Attached to the original report sent to the President, and available for inspection at the U.S. International Trade Commission, except for material submitted in confidence.

2/ See Article I, General Agreement on Tariffs and Trade (Basic Instruments and Selected Documents, vol. IV, March 1969), and General Headnote 4, Tariff Schedules of the United States (19 U.S.C. 1202).

DETERMINATIONS, FINDINGS, AND RECOMMENDATIONS OF THE COMMISSION

Determinations

On the basis of the investigation, the Commission determines (Commissioner Alberger dissenting) that Citizens Band (CB) radio transceivers, provided for in item 685.25 of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, 1/ or the threat thereof, 2/ to the domestic industry producing an article like or directly competitive with the imported article.

Findings and Recommendations

Chairman Minchew and Commissioners Ablondi and Alberger determine that adjustment assistance under chapters 2, 3, and 4 of title II of the Trade Act can effectively remedy the serious injury found to exist and recommend the provision of such assistance.

Vice Chairman Parker and Commissioners Moore and Bedell find and recommend that to prevent the serious injury threatened it is necessary to impose rates of duty, in addition to the present rates of duty, with respect to Citizens Band (CB) radio transceivers (except hand-held), provided for in item 685.25 of the TSUS, as follows--

1st Year	2nd Year	3rd Year	4th Year	5th Year
30% ad val.	25% ad val.	20% ad val.	15% ad val.	10% ad val.

1/ Chairman Minchew and Commissioner Ablondi find serious injury with respect to imports of such articles.

2/ Vice Chairman Parker and Commissioners Moore and Bedell find threat of serious injury with respect to imports of such articles.

Views of Vice Chairman Joseph O. Parker and
Commissioners George M. Moore and Catherine Bedell

The present investigation, conducted under section 201 of the Trade Act of 1974 (19 U.S.C. 2251), was instituted by the United States International Trade Commission on August 10, 1977, to determine whether Citizens Band (CB) transceivers provided for in item 685.25 of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

The Trade Act of 1974 requires that each of the following conditions be met before an affirmative determination can be made:

(1) There are increased imports (either actual or relative to domestic production) of an article into the United States;

(2) A domestic industry producing an article like or directly competitive with the imported article is seriously injured, or threatened with serious injury;

(3) Such increased imports of an article are a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Determination

After considering the information obtained in this investigation, we have determined that increased imports are a substantial cause of the threat of serious injury to the domestic industry producing CB radio transceivers which are like or directly competitive with the imported articles under investigation.

The domestic industry

It is our view that the domestic industry producing articles like or directly competitive with the imported articles consists of the facilities in the United States devoted to the production of CB radio transceivers. Virtually all domestic production in 1977 was accounted for by 9 firms.

Increased imports

Under section 201(b)(2)(C) of the Trade Act of 1974, the requirement of increased imports is satisfied if the actual quantity of imports has increased or if the level of imports is increasing relative to domestic production.

The quantity of imports increased every year in 1972-76 during which period the sale of CB radio transceivers experienced a dramatic growth. Import statistics for the full year 1977 are not available. However, partial-year statistics show that the 1977 import levels will be at least twice the 1975 level and several times the levels of earlier years. In terms of value, imports increased from $44 million in 1973 to $839 million in 1976.

The ratio of imports to U.S. shipments (i.e., production) increased in every year but one, rising from 338 percent of domestic production in 1972 to 870 percent in January-June 1977. This information clearly shows that imports have increased within the meaning of the statute.

Increased imports are a substantial cause of threat of serious injury

The years 1972-76 were a period of great growth in the domestic CB radio market. Domestic production rose from 82,000 units 1/ in 1972 to 1.15 million units in 1976. The value of domestic shipments rose from $10.2 million in 1972 to $96 million in 1976. In 1972, imports totaled about 75,000 units, valued at $3 million, and in 1976 increased to over 15 million units, valued at over $800 million. Until the last 6 months of this period, no domestic producers were burdened with any inventory; they were able to sell their entire output because they were unable to meet existing demand and the domestic industry was increasingly profitable.

During 1976, however, there was an important development which had great market impact. In July 1976, the Federal Communications Commission (FCC) issued an order which announced changes in the specifications for the production of CB radios, established a terminal date beyond which all current production of 23-channel sets produced under the old technology could not be sold, and authorized production of new sets with new technology and additional channels. This order was quickly followed by severe disruption in the market. Distributors sought to rid themselves of stock which, if not sold by the terminal date, would become unsalable by law. Regular or usual merchandising practices could not be followed because of panic selling, uncertainty in the minds of consumers, and the general belief that sets with 40-channels were

1/ All values and quantities cited exclude hand-held units.

better than 23-channel sets. All these factors contributed to a quick and sharp decline in prices.

Generally, the conditions mentioned above prevailed during the latter half of 1976 and 1977, when both domestic and foreign producers were having to shift their production to the new 40-channel models manufactured under the new specifications. The information obtained in this investigation also shows that the distress pricing of 23-channel CB's also adversely affected the pricing and marketing of the new 40-channel sets. This chaotic market situation continued until January 1978, when the sale of 23 channel CB radios produced under the old technology became unlawful.

During the period following the FCC order to the present, the market for CB radios changed from a seller's market, which had existed until mid-1976, to a buyers market when practically all CB radios being currently produced or in distribution channels, in effect, became obsolete from a marketing standpoint. As a result, the industry suffered losses in both profit and capital at a time when it was faced with additional costs of shifting production to new products. The U.S. industry as a whole was left in a substantially weakened condition.

It is clear that the market disruption and the losses resulting therefrom, which were incurred by the domestic industry beginning in the latter half of 1976 were largely the result of the drastically changed production and marketing conditions which followed the new FCC regulations of July 1976. Today, the industry is facing serious injury due to import competition and, at this time, there is no indication

that unfavorable trends, beginning in the middle of 1976, will be abated.

Production, profit and employment levels in the industry are declining precipitously. Domestic production in the period January-June 1977, fell to 379,000 units from 678,000 units during the same period in the preceeding year, a decline of 44 percent.

Profit levels in the industry have declined sharply in the last year from a profit margin of 8.4 percent of sales in the second half of 1976 to a loss of 27.5 percent of sales in the first half of 1977. Two of the remaining domestic producers filed for bankruptcy under Chapter 11 of the Federal Bankruptcy Act of 1977.

Employment data show that there were 38 percent fewer persons employed in the domestic industry during the first half of 1977 than during the corresponding period of 1976. Employment in the domestic industry averaged 4,519 in the first half of 1977, down from 6,289 in the first half of 1976.

Industry estimates of demand indicate that domestic consumption of CB radios will be well below the levels achieved in 1976, the peak year. Inventories of 40-channel sets held by leading domestic producers appeared to be at or near record levels in September 1977, although precise figures of such inventories were not available, particularly at the retail level. Imports of 40 channel sets meeting the new specifications have already achieved overwhelming market penetration, accounting for more than 90 percent of domestic consumption during January-June 1977, the latest period for which information is available. Foreign producers have extensive production facilities capable of supplying

all the current needs of the domestic market. Restrictions on the use of CB radios in Japan and in other countries make the U.S. market particularly attractive to all producers.

Imported products are fully competitive with U.S. products from a standpoint of quality and have consistently had a competitive advantage. In the absence of effective import relief, this more favorable competitive position, resulting from more favorable prices will likely continue and under present market conditions give imports an insurmountable market advantage. Serious injury is clearly imminent and threatens the domestic industry with extinction unless remedial action is taken to enable U.S. producers to compete on more equal price terms. 1/

1/ The views on remedy of Vice Chairman Joseph O. Parker, George M. Moore, and Catherine Bedell appear in an opinion beginning on p. 38.

Affirmative Views of Chairman Daniel Minchew
and Commission Italo H. Ablondi

The present investigation, conducted under section 201 of the Trade Act of 1974 (19 U.S.C. 2251), was instituted by the United States International Trade Commission on August 10, 1977, to determine whether Citizens Band (CB) radio transceivers, provided for in item 685.25 of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

The Trade Act of 1974 requires that each of the following conditions be met before an affirmative determination can be made:

(1) There are increased imports (either actual or relative to domestic production) of an article into the United States;

(2) A domestic industry producing an article like or directly competitive with the imported article is seriously injured, or threatened with serious injury; and

(3) Such increased imports of an article are a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Determination

After considering the evidence obtained in this investigation, we have determined that increased imports are a substantial cause of serious injury to the domestic industry producing CB radio transceivers which are like or directly competitive with the imported articles considered herein.

The domestic industry

It is our view that the domestic industry producing articles like or directly competitive with the imported articles consists of the facilities in the United States devoted to the production of CB radio transceivers.

Increased imports

The first of the three criteria requires a finding that there are increased imports. The Trade Act provides, in section 201(b)(2)(C), that an increase in imports has occurred when the increase is "either actual or relative to domestic production." Thus, the requirement is satisfied when the increase is in actual or absolute terms, or when the level of imports is declining in actual terms but increasing relative to domestic production.

Imports have increased in actual terms in every year since 1973, when the sales of CB radio transceivers began a dramatic growth. Imports increased from $44 million in 1973 to $839 million in 1976. In January-June 1977, imports were higher than in all years prior to 1974 combined. The ratio of imports to U.S. shipments has increased every year, and, in January-June 1977, rose from 338 percent to 870 percent. The ratio of imports to consumption has risen annually, from 71 percent in 1973 to 91 percent in January-June 1977. The information clearly shows that the first criterion set forth above is satisfied.

Serious injury

The second criterion concerns the question of whether or not the domestic industry is suffering "serious injury, or the threat thereof." The Trade Act does not define the term "serious injury," but instead provides guidelines in the form of economic factors which the Commission is to

take into account. Under section 201(b)(2), the Commission is to take into account "all economic factors which it considers relevant, including (but not limited to) . . . the significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry . . . ."

The information gathered in the investigation shows that there is presently a significant idling of productive facilities within the domestic industry. Capacity utilization and domestic production have registered pronounced declines in recent months. Capacity utilization for domestic firms producing CB radio transceivers dropped precipitously from 83 percent in January-June 1976 to 29 percent in the corresponding period of 1977. This substantial idling of productive facilities continued in July-December 1977. During 1977, plants representing approximately 25 percent of domestic capacity were closed. Two domestic manufacturers ceased CB transceiver production entirely in 1977, and another manufacturer announced its intention to close one of its two CB-manufacturing facilities in the first quarter of 1978.

The profit level in the industry declined sharply during the past year. From a pretax-profit-to-sales ratio of 21 percent in 1975, profit for the industry declined to 6.8 percent of sales in 1976; a loss of 27.5 percent of sales was experienced in 1977. It now appears that the money lost by the domestic industry in 1977 was more than all its profit accumulated in all preceding periods. Clearly the industry has been unable to achieve an acceptable level of profit.

Employment in the industry has declined sharply. The average number of production and related workers dropped from 3,312 in January-June 1976 to 2,061 in the corresponding period of 1977, and there is evidence of further substantial declines for July-December 1977, which are estimated to continue in January-June 1978. Approximately 50 percent of all jobs in CB-radio-transceiver manufacturing have been lost. The pattern in man-hours worked is equally devastating. It is evident from the information in this investigation that the second criterion set forth above has been satisfied.

Substantial cause

Section 201(b)(4) of the Trade Act defines the term "substantial cause" to mean "a cause which is important and not less than any other cause." Thus, increased imports must be both an "important" cause of injury and "not less than any other cause." Section 201(b)(2) further provides that, in determining "substantial cause", the Commission "shall take into account all economic factors which it considers relevant, including (but not limited to). . . an increase in imports (either actual or relative to domestic production) and a decline in the proportion of the domestic market supplied by domestic producers."

The information before the Commission clearly shows increased imports to be a substantial cause of serious injury to the domestic industry. As stated above, imports have increased both actually and relative to domestic production; the proportion of the domestic market supplied by imports increased from 71 percent in 1973 to 89 percent in 1976, and to 91 percent in January-June 1977.

Witnesses in opposition to the petition have alleged that two factors other than imports are a more important cause of injury to the domestic industry. These factors include the effect of the decision of the FFC to shift from 23-to 40 channel production and the simultaneous apparent decline in demand for CB radio transceivers. We have considered these factors and have concluded that, even though they may have contributed in part, imports have not been less than any other cause of injury.

Both the ratio of imports to domestic production and the ratio of imports to apparent consumption have increased in every year since 1972. A Commission survey indicates that the major factor causing this increasing market share by imports is the preference by domestic distributors for the lower priced imported articles. Price data collected in this survey show that the imported product was almost always lower in price than the domestic article during the period 1972 through January-June 1977.

Coincident with the drop in prices was a buildup of inventories composed substantially of unsold imported CB radio transceivers. This backlog of unsold imports was an important factor in driving prices still lower and causing the serious injury to the domestic industry.

In view of the above, we conclude that imports are a substantial cause of serious injury and that the third criterion is satisfied.

Conclusion

After considering all the information developed during this investigation, we conclude that all three of the statutory criteria are satisfied, and we therefore make an affirmative determination of injury.

REASONS FOR THE NEGATIVE DETERMINATION OF COMMISSIONER BILL ALBERGER

The present investigation, conducted under Section 201 of the Trade Act of 1974 (19 U.S.C. 2251), was instituted by the United States International Trade Commission on August 10, 1977, to determine whether CB radio transceivers provided for in items 685.25 of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Section 201(b)(1) of the Trade Act of 1974 (Trade Act) requires that each of the following conditions be met before an affirmative determination can be made:

> (1) There are increased imports (either actual or relative to domestic production) of an article into the United States;
>
> (2) A domestic industry producing an article like or directly competitive with the imported article is seriously injured, or threatened with serious injury;
>
> (3) Such increased imports of an article are a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Determination

After considering the evidence obtained in this investigation, I have determined that increased imports are not a substantial cause of serious injury, or the threat thereof, to the domestic industry producing CB radio transceivers which are like or directly competitive with the imported articles considered herein.

Domestic Industry

It is my view that the domestic industry producing articles like or directly competitive with the imported articles consists of the facilities in the United States devoted to the production of CB radio transceivers.

Increased Imports

Section 201(b)(2)(c) of the Trade Act provides that an increase in imports has occurred when the increase is "either actual or relative to domestic production." Thus, the requirement is satisfied when the increase is in actual or absolute terms or when the level of imports is declining in actual terms but is increasing relative to domestic production.

Imports have increased significantly in absolute terms in every year since 1973, when the dramatic growth in sales of CB radio transceivers began, until 1977, when the downturn in sales first began to

affect annual import levels. In relative terms, however, the increase in imports compared with domestic shipments is steady from 1973 through 1977. The ratio of imports to U.S. shipments has increased from 244 percent in 1973 to 870 percent in the first half of 1977, with the sharpest increase occurring from 1975 to 1976. Similarly, the ratio of imports to consumption has risen from 71 percent in 1973 to 91 percent in the first half of 1977. Clearly, this first criterion set forth above is satisfied. Imports have increased.

Serious Injury

The Trade Act does not define the term "serious injury" but does provide guidelines in the form of economic factors. Under section 201(b)(2) the Commission is to take into account "all economic factors which it considers relevant, including (but not limited to) -- A . . . , the significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry . . . "

I have also considered and analyzed other economic developments in the industry to determine whether serious injury exists. These include: (1) efforts to compete effectively with imports, including expenditures for research, development, and plant expansion; (2) efforts to

create and expand export markets; (3) production and shipment levels; (4) inventory levels, and (5) price levels.

Idle Facilities - The information gathered in this investigation indicates there is currently a significant idling of production facilities within the domestic industry. During the first 6 months of 1977, capacity utilization reached a low of 29 percent. Since that time, production ceased for three domestic producers accounting for about 33 percent of total domestic production in the first half of 1977. Other plant closings have already been announced for 1978. It should be noted that production and capacity utilization both grew by leaps and bounds from 1973 through mid-1976, and that the decline was abrupt and staggering in late 1976 through 1977. Much of the idle capacity is very new and possibly excessive capacity added in response to the boom. However, if the domestic industry still had at least 20 percent of the market, which roughly approximates historic market shares, the capacity added mostly in 1975 and 1976 would not be considered excessive.

Profits Operating profits on an aggregate basis for the domestic industry show a remarkable increase from $8.7 million in 1972 to $51.9 million in 1975 before declining to $23.7 million in 1976. Average profit margins for the domestic producers were higher

than the national average for all U.S. manufacturing firms during 1972-75, but slightly lower in 1976. The problems surfaced in late 1976 and throughout 1977 as operating profit margins declined to a loss of 24.4 percent in the first half of 1977. As this opinion is written, at least two firms have filed for bankruptcy under Title 11 of the U.S. Code. It now appears that the domestic industry may have lost more money in 1977 than it accumulated in profits from 1972 to the present. The collapse is simply too great not to find that this criterion, "the inability of a significant number of firms to operate at a reasonable level of profit," is satisfied.

Employment - Employment levels have changed in much the same manner as profits from 1972 through the present. It is virtually impossible to make a judgment as to a reasonable level of employment in the domestic industry. When demand for CB radio transceivers skyrocketed in 1974 through mid-1976, the number of CB production and related workers more than doubled each year. Since mid-1976, employment has dropped by 38 percent, leaving the level in mid-1977 at about 25 percent higher than the 1975 level. Unfortunately, further cutbacks are likely, as indicated by announced plant closures and bankruptcies.

R & D and Capital Expenditures and Industry Efforts to Compete

It is my judgment that the domestic industry has made reasonable efforts to remain competitive, and has been innovative in technology

through the 1970's. R & D expenditures declined during 1977 because of the dismal profit picture that has developed. Capital expenditures were significant in the period 1972-77 as plant expansions occurred on a major scale well into 1976.

Exports - Exports of CB radio transceivers increased from a volume of $300,000 in 1972 to almost $2 million in 1976 and jumped to a $4.7 million in the first 6 months of 1977. Exports are a small percentage of total shipments, as the United States accounts for about 90 percent of the world market. Large-scale CB production capacity cannot be diverted easily to the small markets existing in Canada, Australia, and some European countries. Substantial manufacturing modifications are required for most markets, and many countries, including Japan, prohibit CB radio transceivers altogether.

Production and Shipments - Data on domestic production and shipments mirrors the experience in employment and profits. Growth was the key element from 1972 until mid-1976, when everything began to turn around. The sharpest decline in both production and shipments came in the first six months of 1977, as both dropped by nearly 50 percent from the first six months of 1976.

Inventory - From 1972 through 1975 inventories were small, as demand generally outstripped supply. Back orders existed domestically

and abroad. In 1976 the greatly increasing capacity both in the United States and Japan led to sharply increased production, and supply caught up with demand. Inventories began to build toward what might properly be called a normal level for the electronics industry -- two to three months supply.

Probably because this industry grew so fast, record-keeping wasn't a major concern, and inventory data is spotty for most years. Many distributors and retailers do not maintain monthly or quarterly inventory figures. Many smaller retailers and distributors replenish stocks when they "appear to be low." The Commission staff found no effort to separate inventory data into domestic or imported stock. There is no central repository of total sales data either, since the distribution system is so dispersed. Thus, attempts to accurately gauge actual levels of inventory lead to frustration. Widely diverging estimates of inventory were offered by petitioners and respondents during the hearings before the Commission in early November 1977. The Commission staff attempted to determine injury through an inventory survey directed to major domestic manufacturers, importers, distributors, and retailers. The bottom line is that no method offers much more than an educated guess of the level of inventories. However, the importers' estimate of about 3.5 million sets is probably not high, and that represents about 5 to 6 months inventory, which is higher than inventory should

be, particularly with demand apparently subsiding from the phenomenal growth in the 3 years prior to mid-1976. Some of the inventory is undoubtedly 23-channel sets which can no longer be sold.

Prices - During the boom years of sales of CB radio transceivers, prices remained relatively constant. Right around the time of the FCC announcement in July 1976, prices began to drop. In 1977, market prices eventually fell below costs, particularly for 23-channel sets. Producers were taking sizable losses throughout 1977 as the only way to stay in business. Prices of imported sets remained below the prices of domestic sets throughout most of this period, with the greatest margins appearing to occur in the last quarter of 1976, before domestic producers dropped their prices in order to compete.

Information obtained from questionnaires by the Commission staff leads to the conclusion that market prices of imported 23-channel sets dropped by more than 35 percent in the last quarter of 1976 from third quarter prices, and then domestic prices dropped by a similar percentage from the last quarter of 1976 to the first quarter of 1977. In the second quarter of 1977, domestic prices on 23-channel sets apparently dropped significantly below the price of imported procducts.

Considering all of these economic factors, I conclude that the domestic industry is being seriously injured within the meaning of that term in the Trade Act.

Threat of Serious Injury

Section 201(b)(2) of the Trade Act requires that the Commission consider all economic factors which it considers relevant with respect to the threat of serious injury, including but not limited to "a decline in sales, a higher and growing inventory, and a downward trend in production, profits,...wages or employment (or increasing underemployment)." The question is whether serious injury is clearly imminent if import trends continued unabated.

Examination of these factors shows declining sales, production, profits, and employment, and probably a remaining serious problem in inventories. Import trends, in absolute terms, are downward in 1977. As a percentage of consumption, however, imports are still increasing slightly. I believe the serious injury is already occurring, and there is a threat that it will get worse. But as I understand the statute, the threat requirement is already met whenever serious injury has actually occurred. Hence, it is not necessary to discuss the question of threat here. I would, however, like to make some comments on the future prospects, which have at least some bearing on the case.

Petitioners predicted an upturn in prices would occur when only 40-channel sets are being sold. There are some signs of a reduction in inventory, and a price competition problem for the Japanese due to changes in the value of the yen with respect to the dollar. We may be examining the industry at the bottom of the crash.

Petitioners have alleged that the enormous capacity of the Japanese CB radio transceiver manufacturers represents an imminent threat of serious injury to the domestic industry. The U.S. is really the only major market to which Japanese firms sell additional sets on a large scale. However, evidence given the Commission indicates capacity in Japan has declined, probably converted to other products. Several Japanese firms have folded. In addition, the existence of the new trade agreement arranged with Japan in mid-January should provide new incentive against any decision to suddenly flood our market with Japanese CB radio transceivers.

Substantial Cause

Section 201(b)(4) of the Trade Act defines the term "substantial cause" to mean "a cause which is important and not less than any other cause." Thus, increased imports must be both an "important" cause of injury or the threat thereof and "not less than any other cause." Section 201(b)(2) further provides that in determining "substantial cause" the Commission "shall take into account all economic factors which it considers relevant, including (but not limited to) . . . an increase in imports (either actual or relative to domestic production) and a decline in the proportion of the domestic market supplied by domestic producers."

In my opinion there are three "causes" of the serious injury I have found in this investigation. I believe all are "important causes,"

and I will proceed to analyze which are "not less than any other cause" in order to determine "substantial cause."

The three important causes are declining demand at a time of peaking production, increased imports, and the announcement of the Federal Communications Commission on July 27, 1976, tightening technical specifications and expanding the number of channels available to the Citizens Radio Services from 23 to 40.

Demand - As has been indicated, the CB radio transceiver industry grew at a phenomenal rate from 1972 through 1975. During that period, neither importers and their foreign manufactures nor domestic producers were able to keep pace with rising demand. Plants were expanded in the United States and abroad, and inventories were very low. New manufacturers entered what appeared to be a perfect get-rich-quick market. Sometime in early 1976 this vastly expanded capacity began producing at a level beyond demand, which appeared to begin to wane in mid-1976.

Pathcom apparently was the only company to publicly recognize this new oversupply problem prior to the July 1976 FCC decision. At least they referred to it in published reports. Probably very few people had a good understanding of the state of the market for CB radio transceivers in early 1976. In retrospect, however, it is easy to conclude that foreign and domestic producers, importers, distributors, and retailers all grossly overestimated the potential CB market. Almost

everyone overexpanded, and the market finally began to experience oversupply at about the time of the FCC decision.

An analysis of FCC license applications, while acknowledged by the FCC and others as not being a precise predictor of sales levels, can help support the judgment that demand declined in 1976 and 1977. The first significant drop in license applications after sustained growth from 1973 through 1975 and early 1976 occurred in July 1976. Applications received in that month would reflect sales occurring prior to the FCC decision. The decline in applications continued through October and then turned upward again. January 1977 was a new record for applications, almost doubling the previous high, but it was well publicized that license fees were being suspended as of January 1, 1977. In addition to the typically high level of applications after Christmas, undoubtedly many who had never gotten licenses took advantage of the opportunity to legitimize their use of CBs without any charge. Applications have declined fairly steadily since January 1977 and were even below 1975 levels in October and November, the last two months for which data is available.

Although this apparent decrease in demand began before the FCC decision, the sharply declining prices that followed it failed to cause a resurgence in demand, even though the prices reached incredibly low levels by the late months of 1977. That is not a normal or expected reaction for demand when prices drop. In fact,

prices dropped so low that it appears that many consumers bought new sets instead of repairing old ones, because it was more economical. The occurrence of that practice is further evidence that real demand was even lower that one might think in the last half of 1977.

Imports - As indicated under "increased imports" above, imports increased in both absolute and relative terms from 1972 through 1976. In 1977, actual imports began declining, but relative to domestic shipments, they continued to increase. Market share of imports is now 91 percent, according to the most recent data available. In the face of this dramatic growth in imports from 1972-76, however, the domestic industry recorded staggering increases in sales, production, employment, and profits. Statements abound in the domestic manufacturers' annual reports of the tremendous growth up until mid-1976, taxing productive capacity. Domestic producers have in fact imported CB radio transceivers in significant quantities themselves. In 1975 they accounted for 9 percent of total imports and 11 percent in 1976. Imports began to decline in June 1977 and have generally continued to do so since. Imports undoubtedly contributed to the growth in inventories throughout the country.

The FCC Decision - The FCC decision changed the technical specifications for sale of CB radio transceivers, in addition to the more

easily understood expansion from 23 to 40 channels. August 1, 1977, was set as the deadline for manufacturing 23-channel sets under the old specifications, and December 31, 1977, as the last date for sale of these sets. U.S. imports of old sets were allowed to enter until the very last day of allowed sales. In addition, 40-channel sets could not be sold until January 1, 1977.

The FCC decision thus created a dual market with two kinds of sets competing for buyers for a period of one full year (1977). Now the old 23-channel sets cannot be sold. By setting January 1, 1977, as the starting date for sales of 40-channel sets, the industry had to go through a Christmas season, usually the peak of annual sales volume, with only 23-channel sets, which were clearly perceived as virtually obsolete. Consumers were aware that 40-channel sets were coming, and distributors canceled many orders for 23-channel sets.

In response to the expected decline in demand for these 23-channel sets, prices began to drop, and many sales that occurred were at a loss. However, sales at a loss were a logical way to cut losses. The low prices that prevailed for 23-channel sets in 1977 seemed to preclude the selling of the new 40-channel sets too far above the price of 23-channel sets which remained available as competition. Thus, profits that had been expected on 40-channel sets were not realized, and losses continued to occur.

In the 1976 annual report of the E. F. Johnson Co., the largest domestic producer of CB radio transceivers, this statement appears:

> "The regulatory decision . . . has had a catastrophic impact on the citizens band radio business . . . . It (FCC) also declared that 40-channel units could not be sold before January 1, 1977, leaving a period of 5 months during which the industry would not have current products to sell and would have to market products that were perceived as obsolescent by many buyers."

Conclusion

This analysis of the three causes I find to be important leads me to the conclusion that increased imports are not a substantial cause of serious injury or the threat thereof to the domestic industry producing CB radio transceivers. I find that the decrease in demand and the FCC decision are the substantial causes of the serious injury or threat thereof still occurring. I find that each of these two factors, taken separately, represent a greater cause of injury or threat thereof than increased imports. Not only is much of the domestic industry on the brink of bankruptcy, but I understand that many Japanese firms, mostly smaller ones, have also gone through bankruptcy in the last year. The growth in inventory may be attributed initially to the declining demand coupled with overproduction, and then followed by the FCC decision. Imports were certainly a contributing factor too, but each of the first two factors seems to be more significant.

The domestic industry has competed with rising imports for years, and I am convinced they would have continued to do so with great success but for the intervention of the two factors which I believe are "substantial causes" of the serious injury. The market stopped booming and started declining, even in the face of lowered prices, and the industry's regulatory agency changed the ground rules for the game at a time when demand was dropping. The result of this combination was disastrous, and this industry is in very serious trouble. However, I do not find the terms of Section 201(b)(1) of the Trade Act to be satisfied, and must therefore find in the negative.

Remedy Views of Chairman Daniel Minchew, Commissioner
Italo H. Ablondi, and Commissioner Bill Alberger

Section 201(d)(1) of the Trade Act of 1974 requires that, if the Commission makes an affirmative determination of serious injury or the threat thereof, the Commission must find the amount of import relief necessary to prevent or remedy such injury, or, if it finds that adjustment assistance can effectively remedy the injury, it must recommend the provision of such assistance. Pursuant to this section, the remedies which may be recommended are (1) an increase in, or the imposition of, a duty or import restriction or (2) adjustment assistance. The purpose of such relief, as stated by the Senate Finance Committee in its report on the bill which became the Trade Act, is to give the domestic industry "sufficient time to adjust to freer international competition." 1/

After reviewing all the information received by the Commission during this investigation, we have determined that trade adjustment assistance under title II, chapters 2, 3, and 4 would be effective in providing the means for the domestic industry to adjust to international competition, and, therefore, we recommend the provision of such assistance. However, if adjustment assistance is to be effective, it has to be implemented immediately with a strong commitment and some imagination on the part of the administration. For example, in addition to the regular financial and technical assistance programs, a careful market analysis of the CB industry, funded by the Departments charged with administering adjustment assistance, could be helpful in many ways in fostering the development of new and improved products and more efficient

1/ Trade Reform Act of 1974: Report of the Commission on Finance . . ., S. Rept. No. 93-1298 (93d Cong., 2d sess.), 1974, p. 119.

production. Likewise, a thorough analysis of demand and price elasticity could help firms rationalize production. Moreover, for such assistance to be effective, there should be a strong effort to deliver the assistance within 3 months, not 12 to 24 months.

Additional Views of Chairman Daniel Minchew

My conclusion is that what is needed is a quick infusion of cash and technical assistance of the type outlined above. However, if my expectations of the administration's commitment to an improved adjustment assistance program are illusory, and we see only a continuation of the present program, then, in my opinion, the serious injury which I have found in the domestic CB industry would be best remedied by adjustment assistance supplemented by higher tariffs, the latter to provide effective price relief in the near term, the former to enable the domestic industry to more adequately adjust to increasing competition from abroad. However, as written, section 201(d)(1) of the Trade Act of 1974 does not grant to Commissioners the option of recommending adjustment assistance in combination with the other remedies provided for in the act. 1/ Given this statutory restriction, I have determined, with some reluctance, that adjustment assistance would go farther to remedy the injury I have found than would a recommendation of higher tariffs only.

1/ Sec. 201(d)(1) reads, in part: "If the Commission finds . . . the serious injury or threat thereof described in subsection (b), it shall (A) find the amount of the increase in, or imposition of, any duty or import restriction on such article which is necessary to prevent or remedy such injury, or (B) if it determines that adjustment assistance under chapters 2, 3, and 4 can effectively remedy such injury, recommend the provision of such assistance . . . ." [Emphasis added]

ADDITIONAL VIEWS OF COMMISSIONER BILL ALBERGER
WITH REGARD TO RECOMMENDATIONS OF REMEDY

I feel compelled to explain why I have joined my fellow Commissioners in recommending a remedy. It is my position that our statutory provisions on voting procedure justify my vote, especially in light of the recent amendments of the 1976 Tax Reform Act.

This issue is not a new one for the Commission. Since Chairman Minchew first addressed it in the Asparagus Investigation,[1/] considerable controversy has existed over the right of a Commissioner to participate in a remedy vote if he has found in the negative on the injury question.

I believe Section 201(d)(1)[2/] contemplates separate votes. Once the Commission has, as a collegial body, found increased imports to be a substantial cause of serious injury or a threat thereof, it is a task of the full Commission to fashion the most appropriate form of relief. The wording of that section supports a conclusion that two separate votes are taken:

> The Commission shall report to the President its findings under subsection (b), and the basis therefore and shall include in each report any dissenting or separate views. If the Commission finds with respect to any article, as a result of its investigation, the serious injury or threat thereof described in subsection (b), it shall . . . (Emphasis added)

1/ Asparagus: Report to the President on Investigation No. TA-201-4...., USITC Publication 755, January 1976.

2/ 19 U.S.C. §2251(d)(1)

Moreover, the careful wording of Section 330(d) of the Tariff Act of 1930,[3/] as amended by the 1976 Tax Reform Act, leads to the conclusion that the fullest possible participation on remedy is necessary. Section 330(d)(1) provides that where the Commissioners voting are equally divided with respect to a determination of injury, the vote of either group may be considered by the President to be the Commission's determination. Thus, it is quite conceivable an affirmative determination could result from a 2-2 vote. Yet, when we turn to the question of remedy, the statute provides that where there is an affirmative determination, and the Commissioners voting are unable to agree on a remedy, the remedy proposed by a plurality of at least three can be treated as the Commission's recommendation. This means there must be at least three votes for any remedy finding. If a remedy has the support of three Commissioners, it is preserved for the purposes of Congressional override.

It would seem incongruous to allow an injury determination with less than three votes, then prohibit a recommendation on remedy because fewer than three Commissioners voted affirmatively on the first matter. Since a key purpose of the recent amendments was to enhance the likelihood of a Congressional override, it does not seem logical to allow Presidential action in situations where it is mathematically impossible

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3/ 19 U.S.C. §1130(d)

to supply a Commission remedy, which, if rejected by the President for some other measure, could be reimposed by Congress. Yet that is the construction some would have me accept.

In the present case the Commission is evenly divided on the question of remedy. Two different remedies have each received the support of three Commissioners. Under the Tax Reform Act Amendments this split affords Congress the greatest likelihood of an override. If the President selects one remedy, Congress can reimpose the other; if the President rejects both, Congress can reimpose whichever it sees fit. In essence, my vote merely gives the Congress more options. This, I believe, was the purpose of the provisions of the Tax Reform Act.

I am also persuaded by the legislative history of both Section 201 and the Tax Reform Act that it is not the intention of Congress to prevent my vote on remedy. On two occasions, in 1970 and again in the Tax Reform Act, there were attempts to amend 330(d) so that only those who voted affirmatively could then participate on a recommendation of remedy. In fact, the Senate amendments to the Tax Reform Act[4/] contained such a provision, but the conferees rejected it. This fact seems to indicate that no agreement could be reached on the question of limiting the remedy vote.

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4. H.R. 10612, Unprinted Amendment 277 introduced by Senator Talmadge, Cong. Rec., July 30, 1976 (Daily Ed., p. S-12956)

It is also interesting to note the language of the House Ways and Means Committee:

> While as a matter of custom Commissioners have tended to abstain from voting on remedy where they have not found affirmatively on injury, there is not basis for this in law. Moreover, it was the sense of the meeting of the Subcommittee /on Trade/. . . that a Commissioner should participate in both aspects of decision-making in import relief cases.5/

For these reasons, I cannot accept the conclusion that a vote on remedy by those who find in the negative on the first vote is impermissible as a matter of law. In fact, if Congress wants to use the override mechanism, such participation may often be desirable.

As a policy matter, however, I must acknowledge the very persuasive argument that a recommendation of remedy is usually inconsistent with a negative determination. In many instances such a vote could be interpreted as a "second vote" on injury by a Commissioner who wants to do everything possible to water down the majority action.

In some cases the policy argument recounted above is less than persuasive. I believe this is such a case, and that by referring to my full opinion one can easily understand the logic in my participation on a remedy.

5/ U.S. House of Representatives, Report of the Committee on Ways and Means to Accompany H.R. 13396, Authorization of Appropriations and Administrative Matters Relating to the United States International Trade Commission, H. Rept. No. 94-1088 (94th Cong., 2nd Sess.) 1976 at p. 8.

My negative vote was predicated upon a finding that increased imports were not the substantial cause of injury or the threat thereof. While I felt other causitive factors contributed more to the serious injury I found to exist, a legally discernible majority reached a different conclusion. I abide by the determination of the Commission that increased imports are the substantial cause in this case. Since the Commission, as a body, has made such a determination, I consider myself bound by it, despite the fact that I would have had the Commission reach a different result. It is still my feeling that our remedy cannot alter the effects of declining demand or the FCC ruling, but it is not difficult for me to agree on a remedy that will sufficiently reduce the import problem. My position would perhaps be different if I had found no injury to exist. In fact, however, I found a great degree of injury and only differed with the majority on the issue of causation. My finding was that imports were an "important cause," but not a "substantial cause" of the serious injury.

In conclusion, I contend my participation on the question of remedy is legally justified. Furthermore, in situations where I find increased imports were not a substantial cause of injury, but there is a legally discernible majority view to the contrary, I see compelling policy reasons why I should abide by the ruling and help to fashion the relief necessary.

Views of Vice Chairman Joseph O. Parker and
Commissioners George M. Moore and Catherine Bedell
With Respect to Import Relief

Having found that the domestic CB radio industry is threatened with serious injury, we are required by section 201(d)(1) of the Trade Act to find and recommend to the President the amount of increase in, or imposition of, any duty or import restriction on such article which is necessary to prevent or remedy such injury, unless we determine that adjustment assistance can effectively remedy such injury, in which case, we are directed by the statute to recommend the provision of such assistance. For the reasons set forth below, we have determined that it is necessary to impose an additional duty on imports of CB radios to prevent the threat of serious injury which we have determined exists.

There are presently 9 domestic firms with production facilities for producing CB radios. Of these 9 firms, 3 are not presently engaged in the production of CB radios. Two firms filed for bankruptcy under Chapter 11 of the Federal Bankruptcy Act in 1977.

If these firms are to be able to use their productive facilities and to compete against imports, they must be price competitive in the market. Currently, imported CB radios have an overwhelming predominance in this market, accounting for over 90 percent of the domestic market during the first half of 1977, the latest period for which such data is available. This penetration of the domestic market, which is at a record high, is likely to continue and increase further, unless producers can become price competitive with the imported product.

The price information available to the Commission indicates that despite drastic reductions in price by domestic producers, to the point where they are no longer selling at a level which will allow a reasonable return, they continue to be undersold by importers. Adjustment assistance, for which these firms and their workers may qualify, is available under other provisions of law. It is our judgment that adjustment assistance cannot prevent the serious injury which is threatened and, at best, it would take time before any such assistance could be expected to improve the competitive position of the U.S. industry. Therefore, it is our opinion that the most effective means of preventing the serious injury threatening the domestic industry and of enabling the industry to use its productive facilities while it adjusts to import competition is to make the domestic products price competitive with imports. In considering the amount of additional duty on the imported product which is necessary to prevent the threatened injury, we have considered the price differentials which have existed between domestic and imported products and the levels of underselling which have taken place under the market conditions which existed prior to July 1976 and subsequent thereto.

We have also considered the fact that there has been a significant accumulation of inventory of 40-channel CB radios and the estimates indicating that consumer demand in 1978 will be below the levels reached in 1976. In our judgment, the levels of additional

duty which we have recommended will enable the domestic industry to improve its competitive position against imports and provide it with an opportunity to adjust effectively to import competition. We have recommended that the additional duties should be higher at the outset when the domestic industry is confronted with sizeable inventories of imports in the market and phased down during the period of such relief. It is our opinion that the additional duties, combined with the changed value of the yen will effectively prevent the serious injury which we have found to exist.

We have excluded hand-held CB receivers from our remedy recommendation since there is a negligible amount of domestic production of these articles.

SUMMARY

Following the receipt of a petition for import relief under section 201 of the Trade Act of 1974 from the E. F. Johnson Co., the United States International Trade Commission, on August 10, 1977, instituted an investigation concerning Citizens Band (CB) radio transceivers (investigation No. TA-201-29). The imported articles covered by this investigation consist of CB radio transceivers admitted under item 685.25 of the Tariff Schedules of the United States (TSUS).

CB transceivers comprise three basic types: hand-held, mobile, and base station. The current Citizens Radio Service was established by the Federal Communications Commission (FCC) in 1958 through the allocation of frequencies 26.96 to 27.26 megahertz as the Citizens Band. Within the band there were established 23 specific operating frequencies or channels for use by licensees. The number of frequencies recently has been increased from 23 to 40 and the Citizens Band widened to 27.41 megahertz.

Virtually all domestic production of CB radio transceivers is accounted for by nine companies, four of which accounted for approximately * * * percent of total U.S. production in 1976. The four principal CB producers are the E. F. Johnson Co., Pathcom, Inc., Hy-Gain de Puerto Rico, and Motorola, Inc.

Imports of CB transceivers increased from $37 million in 1972 to $44 million in 1973, and then nearly doubled to $87 million in 1974. In 1975 imports almost tripled to $251 million and then increased sharply to $839 million in 1976. Imports in January-September 1977 declined to $379 million, compared with $641 million during the corresponding period in 1976.

Japan accounted for 81 percent of all U.S. imports of CB's in January-September 1977 while Taiwan, Korea, and Hong Kong accounted for 9 precent, 4 percent, and 2 percent, respectively.

The value of domestic shipments of CB's more than tripled from $10.8 million in 1972 to $32.6 million in 1974, more than doubled again to $74.7 million in 1975, increased to $102.3 million in 1976, and declined dramatically to $32.2 million in January-June 1977 compared with $61.6 million in January-June 1976.

U.S. inventories were relatively low until about May 1976 when unsold CB units held in inventories as reflected in the Commission's survey began to rise, peaking in the latter half of 1976, coincident with increased imports and the July 27, 1976, FCC announcement requiring more rigid technical specifications for all CB's and allowing expansion to 40 channels. Inventories fell during the Christmas season of 1976 but are currently believed to be high. Consumer demand in 1977 appears to have decreased from its 1976 level.

There is severe unemployment throughout the CB industry. From 1972-76 the average number of production and related workers engaged in the production of CB's rose, but employment declined sharply in January-June 1977. Patterns of total employment and man-hours worked followed similar trends.

From 1972-76 the CB industry was profitable. Record profits were earned in January-June 1976, but the domestic industry operated in the red from July 1976 through September 1977, coincident with increased imports and the effects of the July 27, 1976, FCC announcement.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On August 2, 1977, the E. F. Johnson Co. filed a petition with the United States International Trade Commission for import relief under section 201 of the Trade Act of 1974. On August 10, 1977, the Commission instituted an investigation to determine whether Citizens Band (CB) radio transceivers, provided for in item 685.25 of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

The petition alleges that CB radio transceiver imports have increased in such quantities, both absolutely and relatively, as to be a substantial cause of serious injury and threat of serious injury to domestic CB manufacturers. The petitioner requests that import quotas be imposed on all CB transceivers under TSUS item 685.25, with such quotas to be allocated among exporting countries on the basis of annual shipments for the year 1975. Alternatively, the petitioner requests that the maximum increase of duty (50 percent) be applied to such imports. With respect to either form of relief or any combination thereof, the petitioner further requests that the relief be proclaimed for the maximum initial period of 5 years.

The Commission issued a public notice on August 11, 1977, regarding the institution of the investigation and the place and time of the public hearing. The notice was posted at the Commission's offices in Washington, D.C., and New York City and was published in the Federal Register of Tuesday, August 16, 1977 (42 F.R. 41329), (see app. A). The public hearing, at which all interested parties were given an opportunity to be present, offer evidence, and be heard, was held in the week of October 31, 1977, in Washington, D.C.

The Trade Act of 1974 directs the Commission to complete its investigation under section 201 at the earliest practicable time, but not later than 6 months after the date on which the petition is filed. In this case, the Commission must report to the President by February 2, 1977.

The information used in this report was obtained through field visits and interviews with producers, importers, and retailers; from responses to the Commission's questionnaires; from other Federal agencies; from information presented at the Commission's public hearing; from briefs submitted by interested parties; and from the Commission's files.

Description and Uses

The articles covered in this investigation are radio telephonic transceivers designed for operation on frequencies assigned to the Citizens Radio Service 1/ and such transceivers when in combination with radio receivers. These articles are provided for in item 685.25 of the TSUS. CB units imported in combination with other articles are not a part of this investigation and are known to account for only a small share of the CB market. 2/

Transceivers are combinations of radio telephonic transmitters and receivers which share common electronic components, elements, and circuits in order to achieve economies in physical size, weight, power input, and cost. Transceivers provide two-way (transmit, receive) radio telephone communications. A well known type of this equipment was developed and mass produced during World War II and called the "Walkie-Talkie."

The current Citizens Radio Service was established by the Federal Communications Commission (FCC) in 1958 through the allocation of a Citizens Band of frequencies (26.96 to 27.26 megahertz) in the high frequency portion of the radio spectrum. Within the band there were established 23 specific operating frequencies or channels for use by licensees. The number of frequencies has recently been increased from 23 to 40 and the citizens band widened to 27.41 megahertz.

CB transceivers comprise three basic types: hand-held, mobile, and base station. The hand-held CB transceiver has a self-contained microphone and antenna and is battery powered, usually from self-contained batteries. 3/ Mobile CB transceivers, designed for use in a motor vehicle or boat, have external antennas and microphones, have provisions for being mounted to the vehicle or boat, and are powered externally by low voltage direct current supplied from the battery in the vehicle or boat. Base station CB transceivers also use external antennas and microphones but they are principally designed for a fixed station location (home or office) and are powered by 120 volt a.c. current. Recently CB transceivers with features such as clocks, AM/FM entertainment radios, or tape players have been sold in the market place.

1/ The construction, operation, and licensing of CB transceivers are regulated by the FCC in accordance with Part 95 of the Rules and Regulations of the Federal Communication Commission (47 CFR 95).

2/ If CB transceivers are combined with tape players, they are classified under items 678.50 and 678.51 of the TSUS; with television receivers, tape recorders, or phonographs, under item 685.50; and with radio receivers under item 685.25. Transceivers and combinations, including transceivers other than tape player-transceivers, if Canadian articles and original motor vehicle equipment, are admitted free of duty.

3/ There are certain low-powered transceivers which are covered by part 15 of the FCC Rules and Regulations. These transceivers are not considered CB transceivers, as such, and are not covered by this investigation.

According to the FCC, the purpose of the Citizens Radio Service is "to provide a private 1/ short-distance radio-communications service for the business or personal activities of licensees. . . ." The owner of a CB transceiver must obtain a set of operating rules and license from the FCC. No test is required to obtain a license, but fines, confiscation of equipment, and/or jail terms may be adjudged for violations of the rules. In addition, a CB transceiver may not be offered for sale unless it is of a type accepted by the FCC. Since the FCC has set mandatory technical specifications for CB transceiver performance, each individual model must be physically examined and tested by the FCC before the model may be sold. As of August 7, 1977, the FCC records show that 1,641 models have been accepted. Of those, 612 models have been accepted since September 1976. Once a certificate of type acceptance has been issued, no technical changes may be made on that model transceiver unless the model is resubmitted for testing.

As of May 1, 1977, the FCC had issued 9,830,122 CB licenses. 2/ Licenses are currently being issued at the rate of 300,000 per month. The Electronics Industries Association (EIA) estimates that there are over 20 million users of CB. The EIA further estimates that prior to 1970 there were fewer than 1 million users.

CB transceivers are used to obtain information, render assistance, and entertain the operator/licensee. The FCC has recognized the value of an emergency message service to report road accidents and traffic hazards. A specific frequency (channel 9) has been designated for use only for emergency message reporting. No other channels have been set aside for special use. The immense popularity of the Citizens Radio Service has given rise to numerous user groups, associations, clubs, and organizations. As these groups have grown in membership, they have informally designated certain channels for specific types of message traffic. For instance, CB clubs in the Baltimore area use channel 3 to give Harbor Tunnel traffic advisories.

Some of the earliest groups to find uses for CB transceivers were hunters, loggers, and farmers. These CB'ers found the hand-held units useful in coordinating their activities. During the 1973 fuel crisis, interstate truckers used their CB's to locate service stations which had fuel.

1/ "Private" in this context means owned and operated by private individuals or firms as opposed to common carriers, commercial broadcasters, or U.S. Government and military radio services.

2/ The FCC issues licenses for CB stations in the names of the station owners. Up to 25 persons (such as immediate family) are authorized to operate a station using the original licensee's "call sign" (identification).

The Manufacturing Process

The CB radio transceiver is produced with electronic components such as resistors, capacitors, coils, semiconductors, and crystals, all mounted on printed circuit boards. The boards, generally restrained firmly on chassis or mounting brackets, are mounted in a metal enclosure. Some components, including speakers, microphones, or transformers (for base stations), may be mounted separately from the printed circuit boards. A large share of components and subassemblies of components are purchased by U.S. manufacturers from domestic and foreign suppliers rather than made in-house. The CB is usually conveniently small and its components are tightly packed.

Overview of the U.S. Market

Allocation of frequencies for the Citizens Radio Service was first made in 1945. In 1958 the FCC revised the service and moved the frequency to the 27 megahertz band for CB usage.

The next 15 years of the Citizens Radio Service were characterized by slow growth of a small and specialized market consisting primarily of farmers, hobbyists, and truck drivers. Expanded interest in CB's developed in 1973 during the nation's oil embargo, when truckers, like all other automotive travelers, were faced with oil and gasoline shortages. The U.S. public was shown how effectively two-way radio could be used as truckers blocking interstate highways communicated details of the strike and information pertaining to fuel availability to other truckers. The use of CB by truckers in coordinating their activities received national attention for many days on network TV news. Other publicity that drew attention to CB is attributed to the release of a popular country-western recording in 1974 about truckers and their use of CB radios.

The result of this widespread publicity was a tremendous upsurge in demand. Manufacturers in the United States and Japan were beseiged with orders which far exceeded their capacity to produce. From 1973 through mid-1976 the CB industry met with an unprecedented boom as domestic manufacturers, importers, distributors, and retailers struggled to keep up with orders. Domestic shipments and imports increased annually to meet this demand.

As the Citizens Radio Service grew during this period, problems associated with regulating the service increased. Better compliance with FCC rules as well as the need for more operating channels and better equipment were recognized as outstanding problems. On July 27, 1976, the FCC permitted the expansion of the CB Radio Service to 40 channels and established requirements for more stringent technical specifications for all CB units. The FCC selected August 1, 1977, as the cutoff

date for manufacturing 23-channel sets (old specifications). 1/ U.S. imports of these CB's were allowed to enter until December 31, 1977. Further, the FCC indicated that marketing of this type of equipment must cease no later than January 1, 1978. 2/

Many orders for 23-channel units from domestic and foreign manufacturers were immediately canceled. As of July 1976, members of the Electronics Industry Association of Japan (EIAJ) reported orders for 8.6 million CB radios, of which about 58 percent were subsequently canceled. Foreign and domestic manufacturers switched production from 23 to 40 channel units.

Importers' prices led in the heavy price declines which began in the quarter following the FCC announcement and were followed in the next quarter by similarly severe price cutting of the U.S.-made product. Meanwhile, inventories held by respondents to the Commission's survey started increasing in May of 1976, peaking in October-December 1976, and remaining high but declining through September 1977. The available evidence for the highly volatile and little-studied CB market suggests that 1977 has witnessed less buoyant consumer demand than in the boom year of 1976. Contrasted with January-June 1976, January-June 1977 marked substantial declines in imports, domestic shipments, and U.S. employment in the CB industry. Financial losses to domestic producers in this period were severe.

U.S. Producers

Virtually all domestic production of CB radio transceivers is accounted for by nine firms. 3/ Of these, four firms accounted for approximately * * * percent of total U.S. production in 1976, while five firms accounted for only * * * percent. 4/ The four principal producers of CB's and the locations of their headquarters are E. F. Johnson Co. (Waseca, Minn.), Motorola, Inc. (Schaumburg, Ill.), Hy-gain de Puerto Rico (Humacoa, P. R.), and Pathcom, Inc. (Habor City, Calif.).

1/ CB units manufactured under the old specifications with 23 or fewer channels will hereinafter in this report be referred to as 23 channel sets. Twenty-three channel sets manufactured to the new specifications may still be sold in the marketplace, although to date no such sets have been submitted to the FCC for type acceptance.

2/ Sales of handheld CB units manufactured before Aug. 1, 1977, were extended to Aug. 1, 1978.

3/ Delco Electronics, a division of General Motors in Kokomo, Ind. started CB production in July 1977, 1 month following the period covered by this investigation.

4/ These percentages may be altered a small amount depending on data not yet supplied by Pearce-Simpson, Division of Gladding Corp.

E. F. Johnson Co., a publicly owned firm that has been manufacturing CB radio transceivers since 1959 and has been selling communications equipment for over 50 years, is by far the dominant U.S. producer of CB's. In 1976, Johnson accounted for * * * percent of total domestic CB production. In January-June 1977, however, that share fell to * * * percent. Until 1975, all of Johnson's CB's were produced domestically. Since that time, Johnson has imported one single-sideband (SSB) model transceiver from Japan to fill out its product line. Sales of CB transceivers accounted for the largest percentage of the firm's business in 1976 (* * * percent), followed by land mobile transceivers and accessories (* * * percent). Component sales and other activities, including cable television, provided the remaining * * * percent of revenues.

Motorola, Inc., a company relatively new to the CB industry, has long been a leading world manufacturer of electronic equipment and components. Engaged in the design, manufacture, and sale, principally under the Motorola brand, of a diversified line of products in the electronics field (including transceivers other than CB), Motorola began production of CB radio transceivers in June of 1976. Motorola has produced almost all of its CB transceivers domestically. 1/ In 1976, it accounted for * * * percent of total U.S. production of CB transceivers, but in January-June 1977, that share rose to * * * percent.

Hy-Gain Electronics Corp. of Lincoln, Nebr., manufactures and imports CB radio transceivers through its wholly owned subsidiary Hy-Gain de Puerto Rico. In Lincoln, Hy-Gain Electronics produces communication antennas, marine radios, amateur radio equipment, business and professional radios, and government communications equipment. According to Hy-Gain's annual report of 1975, most of the firm's sales of CB radio sets were of the imported product, with the remainder being produced in Lincoln. Late in 1975 Hy-Gain shifted all CB transceiver production (except for certain components purchased from foreign sources) to its facilities in Puerto Rico. In 1976, sales of CB transceivers, * * * percent of which were imported sets, accounted for approximately * * * percent of the firm's total business. The firm accounted for * * * percent of total U.S. production of CB's in 1976 and for * * * percent in January-June 1977.

Pathcom, Inc., designs, manufactures, imports, and markets solid-state communications equipment consisting primarily of two-way CB transceivers sold under the trade name Pace. More than * * * percent of the company's total sales comprise CB radio transceivers and related accessories. Although Pathcom did not start importing CB radio transceivers until 1969, approximately * * * percent of the company's current

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* * *

CB radio sales are of the imported product, some of which is reexported and does not enter into the commerce of the United States. In 1976, Pathcom accounted for * * * percent of total U.S. production of CB transceivers, but this share fell to * * * percent in January-June 1977.

Other firms that were known to produce CB radio transceivers during the period under investigation are Pearce-Simpson, a Division of Gladding Corp., Miami, Fla.; Regency Electronics, Inc., Indianapolis, Ind.; Browning Labs, Laconia, N. H.; Tram/Diamond Corp. in Winnisquan, N. H.; and Palomar Electronics Corp. in Escondido, Calif.. In 1976, these companies collectively accounted for * * * percent of total domestic production of CB radio transceivers. Pearce-Simpson did not produce CB radio transceivers in January-June 1977, and in April of 1977 the company filed for bankruptcy under Chapter 11. Regency Electronics operated primarily as an importer of 23 channel units until November 1976, producing only negligible amounts of CB units in 1972 and 1974. In January-June 1977, however, this firm accounted for * * * percent of all domestically made CB transceivers. In its annual report for the period ending June 30, 1977, the firm indicated that in the near future its CB operations would remain inactive until the CB industry becomes more stabilized. With the exception of Johnson and Motorola, all of these CB producing companies are known to import relatively substantial quantities of CB's. All CB imports by these domestic producers accounted for 9 percent of total imports in 1975 and 11 percent in 1976.

Channels of Distribution

With respect to the domestic industry, CB transceivers are distributed through diverse routes from producer to user. In 1974, when U.S. shipments were considerably less than in 1976, more than 90 percent of domestic sales went to wholesale distributors, which provided a warehousing function and resold to retailers. In 1976, manufacturers sold only 63 percent of their CB transceivers to wholesale distributors; about 33 percent of CB sales were made directly from the manufacturers to mass merchandisers which serve as both distributors and retailers. Three percent of sales were made to original-equipment manufacturers, and the remaining 1 percent went directly to mail-order outlets.

Importers' channels for distribution of CB transceivers are similar, except that some importers have their own retail operations. In 1974, when imports were substantially less than the 1976 level, importers' sales of CB units went primarily to distributors, mass merchandisers and to the importers' own retail stores. This pattern was repeated when CB imports peaked in 1976. In that year, 31 percent of importers' CB sales were made to distributors, 30 percent went directly to the importers' own retail stores, 23 percent went to mass merchandisers, 7 percent were made to mail-order outlets, and the remaining 9 percent went to other outlets. An insignificant number of imported CB's were sold directly to original-equipment manufacturers.

There are many thousands of CB outlets ranging in size from "mom and pop" stores to mass merchandisers such as Sears, Wards, and Penney's. A significant number of these outlets have appeared since 1975.

U.S. Tariff Treatment

Almost all imported CB radio transceivers are classified for tariff purposes under item 685.25 of the TSUS. The vast majority of these transceivers are imported at the column 1, or most-favored-nation, rate of duty, which is 6 percent ad valorem. Imports of such transceivers from Communist countries other than Poland, Romania, and Yugoslavia enter at the statutory, or column 2, rate of duty, which is 35 percent ad valorem. Imports from such Communist countries are negligible. The column 1 rate of duty applicable to TSUS item 685.25 was reduced as a result of the Kennedy round of trade agreements concluded in 1967 and implemented between January 1, 1968, and January 1, 1972, as shown in the following tabulation:

Effective date	Col. 1 rate of duty
	Percent ad valorem
Dec. 31, 1967	12.5
Jan. 1, 1968	11.0
Jan. 1, 1969	10.0
Jan. 1, 1970	8.5
Jan. 1, 1971	7.0
Jan. 1, 1972	6.0

Title V of the Trade Act of 1974 authorizes the establishment of a Generalized System of Preferences (GSP) for eligible articles imported from beneficiary developing countries. Effective January 1, 1976, imports of CB radio transceivers, provided for in TSUS item 685.25, from all designated beneficiary developing countries, became eligible for duty-free treatment under the provisions of the GSP. In 1977, Taiwan was not designated as an eligible country with respect to imports of CB radio transceivers because imports from Taiwan in 1976 exceeded the limit specified in sec. 504 (1A) of the Trade Act of 1974. 1/

1/ Whenever any country has exported to the United States during a calendar year a quantity of an eligible article having an appraised value in excess of an amount which bears the same ratio to $25,000,000 as the gross national product of the United States for the preceding calendar year bears to the gross national product of the United States for calendar year 1974, that country becomes excluded from GSP treatment until the following year. In 1976, imports from Taiwan amounted to $59 million and accounted for 7 percent of all imports of CB radio transceivers in that year.

Through September 1977, more than 90 percent of imports of CB radio transceivers have been entered under TSUS item number 685.25, with the balance entering under other TSUS item numbers. Entries occurred under items 678.50 and 678.51 when CB's were combined with tape players; item 685.50 when combined with television receivers, tape recorders, or phonographs; and item 685.25 when combined with radio receivers. Transceivers and combinations including transceivers other than tape player transceivers imported under the Automotive Products Trade Act of 1965 (APTA) entered under TSUS item 685.55 and thus were free of duty.

The Question of Increased Imports

Analysis of CB imports prior to 1977 is complicated by a lack of precision in the statistical annotations covering these transceivers in the Tariff Schedules of the United States, Annotated (TSUSA). Prior to 1975, imports of CB transceivers were not segregated from imports of other types of transceivers. In 1975, CB automotive transceivers (mobile units) were separated from other types of automotive transceivers, but CB base stations were not separated from other types of non-CB transceivers. On January 1, 1977, however, a new and far more detailed set of annotation categories came into effect; these breakouts are detailed in appendix B.

Lacking clearly defined import categories, import data were estimated for the years 1972 through 1974, by country and by year. For the period from January 1975 through September 1977, the analysis was shifted to a monthly basis, and an attempt was made to segregate CB imports by type. Because of statistical misclassification of imported CB transceivers in this period, the Commission developed a system of mutually exclusive categories by export price ranges, as shown in the following tabulation:

Export price range	Category name
Not greater than $7.50	Toy-type, CB
Greater than 7.50, but less than $30.00.	Hand-held, CB
Greater than $30.00, but less than $115.00.	Base and mobile, CB
Greater than $115.00	Land mobile, amateur, and marine, not CB

Using these categories, the Commission has estimated imports of CB radio transceivers, as shown in the following tabulation and in tables 1 and 2 in appendic C:

Period	CB transceivers 1/
	1,000 dollars
1972	36,671
1973	44,130
1974	87,299
1975	251,335
1976	839,302
January-September--	
1976	640,775
1977	379,185

1/ Hand-held units valued not over $7.50 (toys) are excluded.

In light of the difficulty of estimating the volume of imports in units, the entire report is in terms of value, except as otherwise noted. However, estimated imports in units are shown by months for the period January 1975-September 1977 in table 2.

U.S. imports of CB transceivers increased from $37 million in 1972 to $44 million in 1973, and then nearly doubled to $87 million in 1974. In 1975, imports almost tripled, reaching $251 million, and then increased sharply to $839 million in 1976. Imports during January-September 1977 declined to $379 million, compared with an estimated $641 million during the corresponding period in 1976.

A breakdown by months of estimated imports of CB transceivers by types for the period January-September 1977 is shown in the table below. These figures illustrate the effect of the FCC-ordered conversion from 23 to 40 channels.

CB transceivers: Estimated imports of CB transceivers, by categories, and months, January-June 1977

(in thousands of dollars)

Period	Hand-held 1/	Base and mobile		Total
		23 or fewer channels	40 channels	
1977:				
January	842	19,829	21,567	42,238
February	2,134	16,655	23,095	41,884
March	3,388	8,880	35,970	48,238
April	3,008	8,660	34,859	46,527
May	1,263	9,612	44,692	55,567
June	1,554	4,017	39,645	45,216
July	2,625	4,368	29,233	36,226
August	5,841	3,963	24,965	34,769
September	3,468	2,204	22,846	28,518

1/ Excludes hand-held units valued not over $7.50.

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

In January 1977, imports of 23-channel units accounted for 47 percent and 40-channel units accounted for 51 percent of total CB imports. By September, imports of 23-channel units accounted for about 8 percent and 40-channel units accounted for 80 percent of total CB imports. For a monthly tally of CB transceiver imports from January 1975 through September 1977, see table 2.

Japan, by far the largest supplier of U.S. imports, accounted for 81 percent of all U.S. imports of CB transceivers in January-September 1977. Other principal sources of transceivers are Taiwan (9 percent), Korea (4 percent), and Hong Kong (2 percent). From 1972 to the present, Japan has always been the dominant supplier of CB imports into the United States.

Ratios of U.S. imports to U.S. producers' shipments and consumption

The ratios of U.S. imports of CB's to U.S. shipments and apparent consumption during 1972-76, January-June 1976, and January-June 1977 can be seen in the following tabulation (in percent):

Item	1972	1973	1974	1975	1976	January-June--	
						1976	1977
Ratio of imports of CB transceivers to--							
U.S. shipments	338	244	267	336	821	628	870
Consumption	78	71	73	77	89	86	91

The ratio of imports to shipments dropped from 338 percent in 1972 to 244 percent in 1973, followed by substantial jumps to 821 percent in 1976 and to 870 percent in January-June 1977, compared with 628 percent in the corresponding period of 1976. This pattern was generally repeated for the ratios of imports to consumption. Since 1972, U.S. producers have enjoyed no more than 29 percent of the domestic U.S. market, the level they held in 1973. Their market share was recently reduced to about 9 percent in January-June 1977.

The Japanese industry

According to industry sources, Japanese companies began manufacturing CB's in the early 1960's, primarily for export to the United States. There is no comparable market for CB transceivers in Japan because citizen band communication similar to that in the United States is not permitted there.

As of April 1976, there were nearly * * * CB manufacturers in Japan, the majority of which were small companies. Testimony at the Commission's hearing indicated that there are far fewer companies currently producing CB's in Japan than there were a year ago (transcript of the hearing, p. 747). Counsel representing the Electronics Industry Association of Japan (EIAJ) provided the Commission staff with a list of approximately * * * Japanese firms that were manufacturing CB transceivers in September 1977.

During 1977, Japanese producers apparently underwent considerable retrenchment, experiencing heavy production cutbacks and employee layoffs. The two factors causing this development were (1) the failure of an expected demand surge to materialize early in the year and (2) the need to work off a large overhang of 23-channel CB inventories. This inventory is now alleged to have disappeared (transcript of the hearing, pp. 702, 703, 709).

Industry sources have estimated that the Japanese export to approximately 250 importers of CB's in the United States. On the basis of responses to the Commission's questionnaires, 37 firms, 7 of which are also currently domestic manufacturers of CB's, accounted for 81 percent of all imports of CB's in 1976. The three largest importers in terms of sales volume are * * *.

The Question of Serious Injury or Threat Thereof to the Domestic Industry

The petition alleges, among other things, that the domestic industry is being seriously injured and is threatened with serious injury. In determining whether the domestic industry is suffering the requisite injury or threat thereof, the Commission has considered all relevant economic factors, including but not limited to plant utilization, profitability, employment, shipments, inventories, exports, distribution and marketing, prices, capital and R.& D. expenditures, and industry efforts to compete with imports.

Utilization of productive facilities

The E. F. Johnson Co. alleged that it closed out approximately 25 percent of its CB-producing capability by terminating its manufacturing program with Magnavox as a result of the increase of imports in 1976. This facility was alleged to have manufactured approximately 15 percent of domestically produced CB radios. In addition, E. F. Johnson has announced its intent to close one of its two CB manufacturing facilities in Clear Lake, Iowa, in the first quarter of 1978.

Marked increases in the capacity utilization of domestic producers 1/ during the period 1972-1975 are shown in the following tabulation:

1/ Capacity is based on operation of domestic facilities at two shifts a day, 5 days a week. The capacity measures cover transceiver assembly plants only (not supplies of components used in CB units).

Item	1972	1973	1974	1975	1976	January-June-- 1976	January-June-- 1977
Production							
1,000 units	87.8	150.8	1/ 275.4	666.8	1/ 1,217.9	677.8	378.6
Capacity							
1,000 units	295.1	327.7	474.4	877.7	1,822.1	820.2	1,308.4
Ratio of production to capacity							
percent	30	46	58	76	67	83	29

1/ A major U.S. producer of CB transceivers reported a shortage of production components in 1974 and 1976 due to the sharp increase in production.

There were, however, declines in plant utilization rates in 1976 and in January-June 1977, when the utilization rate fell to about the 30 percent level of 1972. 1/ In 1976 the decline occurred at the same time that capacity more than doubled and production increased 83 percent. For January-June 1977, capacity was up 60 percent, while output was down 44 percent from the corresponding period of 1976. In comparison, imports (by volume) rose 215 percent in 1976 and fell by 24 percent in January-June 1977 compared with the corresponding period of 1976.

Entries and exits

During the period covered by this investigation (1972 through June 1977), Motorola, Inc., entered the market (June 1976) within a month of the July 1976 FCC announcement. Texas Instruments announced early in 1977 its intention to start shipping a 40-channel AM SSB model in October 1977 but on August 30, 1977, explained that the firm will not send its model to the FCC for type acceptance until 1978, chiefly because of current market uncertainties (see app. D). Officials at Texas Instruments explained that they intended to redesign their model in an effort to reduce costs and further competition with current low retail pricing of 23-channel CB's. Further, they explained that there is no way of knowing the number of 40-channel AM SSB's currently being held in inventories. Regency Electronics, Inc., operated primarily as an importer of 23-channel units until November 1976, when the firm began manufacturing substantial quantities of CB transceivers. The Delco division of General Motors

1/ It is estimated that the maximum practical level of capacity utilization, above which serious inefficiencies are encountered, probably lies in the range of 80 to 85 percent.

started importing CB's in March 1976 and switched to manufacturing its own units in July 1977. Virtually all of these units, whether imported or manufactured at Delco, were shipped to the General Motors car divisions.

Pearce-Simpson Division of Gladding Corp. filed for bankruptcy under Chapter 11 in April 1977. In January-June 1977 this firm did not produce CB's but converted large quantities of 23-channel transceivers to 40-channel units. * * * Trade rumors that Gemtronics has also filed for bankruptcy are invalid. Sales of CB's account for a very small portion of Gemtronic's business, and its CB production accounts for a negligible percentage of total U.S. production of CB transceivers.

Unemployment or underemployment of the domestic work force

There has been severe unemployment in the United States during 1977 throughout the domestic CB industry. The average number of production and related workers engaged in the production of CB's rose from 269 in 1972 to 725 in 1974, more than doubled in 1975 to 1,651, and more than doubled again to 3,389 in 1976. It then declined to 2,061 during January-June 1977. Patterns of total employment and man-hours worked follow similar trends, as shown in the following tabulation:

Item	1972	1973	1974	1975	1976	January-June--	
						1976	1977
Average number of all employees	1,810	2,191	2,894	3,941	6,098	6,289	4,519
Average number of production and related workers in CB	269	406	725	1,651	3,389	3,312	2,061
Man-hours worked by production and related workers in CB 1,000 man-hours	578	851	1,504	3,429	6,752	3,441	2,554

The major domestic manufacturers of CB's have reported further reductions in their work force since June 1977. Further unemployment appears imminent, especially if the E. F. Johnson Co. carries out its announced

plans to idle 330 workers when it closes its Clear Lake, Iowa, plant in early 1978.

Officials in the Trade Adjustment Division at the Department of Labor reported that nine domestic manufacturers of CB transceivers have been notified of their eligibility to apply for adjustment assistance. Thus far, only certain qualified workers of Tram Diamond, which accounts for less than * * * percent of the total quantity of domestic production of CB's, has been certified for trade adjustment assistance (see app. E). 1/ E. F. Johnson filed for assistance in September 1977 and was followed by Regency Electronics in November 1977. Since the investigation of each of these petitions is still in progress, no workers of either of these firms have, thus far, been certified. As of December 15, 1977, no other firms or groups of workers had filed with the Department of Labor, and no firms had filed with the Department of Commerce for adjustment assistance.

Profit-and-loss experience of U.S. CB radio transceiver producers

The data reported in this section represent the profit-and-loss and financial experience of six producers on their total company operations and the profit-and-loss experience of two producers on their CB radio transceiver operations for the period 1972-77. 2/ The six producers accounted for more than * * * percent of the total sales value of all domestically manufactured CB radio transceivers shipped by U.S. producers during the period 1972-76, and the two producers accounted for more than * * * percent of the sales value of such shipments during the same period.

Each of the six producers manufactures and imports CB radio transceivers in various quantities. In addition, four of the producers manufacture other types of electronic marine and land communications equipment. Each of the six producers also markets a line of CB radio transceiver accessories that are either manufactured in-house or purchased from domestic or foreign sources.

1/ In order to qualify for adjustment assistance with the Department of Labor, increased imports of articles like or directly competitive with those produced by the firm must be determined to have contributed importantly (as much as, but not necessarily more than, any other factor) to unemployment, or the threat thereof, and to the decrease in sales or production.

2/ Of the six producers, four furnished interim profit-and-loss data on their total company operations for 1977 and three of these four producers furnished comparable interim data for 1976 and 1977 that reflect their total company operating results and financial condition. Two of the three producers also furnished comparable interim profit-and-loss data on their CB radio transceiver operations for 1976 and 1977.

Sales of imported CB radios accounted for about 27 and 36 percent, respectively, of the six producers' combined net sales in 1975 and 1976. Sales of domestically manufactured CB radio transceivers accounted for about 33 and 29 percent, respectively, of such sales in 1975 and 1976.

Total company operations.--

* * * * * * *

The average profit margin for the six producers was substantially higher than the national average for all U.S. manufacturing firms during 1972-75, but slightly lower or about equal in 1976, depending on which measure of profit margin is used. During 1972-74, operating profit ranged from a low of 18.3 percent of net sales in 1972 to a high of 22.9 percent in 1975. Net profit before income taxes ranged from a low 16.1 percent of net sales in 1974 to a high of 21.0 percent in 1975, and net profit after income taxes increased from 8.0 percent in 1974 to 10.6 percent in 1975. In 1976, operating profit declined to 7.2 percent of net sales, pretax profit dropped to 6.8 percent, and after-tax profit fell to 5.7 percent.

Four producers furnished interim profit-and-loss data on their total company operations for 1977. For one producer, the data covered a 6-month period ended June 30, 1977, and for the others they covered an 11-month period ended July 31, 1977. Three of the producers sustained an operating loss during this period, and each of the four sustained a net loss (before credit for income taxes). Combined, the four producers sustained an operating loss of * * * million or * * * percent of net sales and a net loss of * * * million, or * * * percent of net sales.

The 1976 decision of the FCC to expand the allowable number of CB radio transceiver channels from 23 to 40 took place when production lines for 23-channel sets were running at near capacity. There is evidence that, as a result of the FCC action, customers reduced purchases, canceled orders, and returned to the producers large quantities of 23-channel sets in the later half of 1976 and the first half of 1977. Hence, the four producers' reported net sales of * * * million for the 1977 interim period (and to a lesser extent the net sales reported by the six producers in 1976) reflect sizeable returns of 23-channel sets sold in prior periods.

In June-December 1976 the market price of 23-channel sets began to drop below each producer's cost to manufacture (or purchase cost for imported sets). Hence, producers took sizeable losses on their inventories of 23-channel sets and parts for such sets in 1976 and 1977. The devalued inventories resulted in lowering the six producers' pretax profit by more than * * * million in 1976 and increased

the reported net loss of the four producers by more than * * * million in 1977. 1/

Domestic CB radio transceiver operations of two producers.--

* * * * * * *

Total company financial condition.--Table 5 reveals that the six producers experienced substantial growth in working capital, plant, property and equipment, total assets, and shareholders' equity during 1972-76. During this period working capital increased from * * * million to * * * million, property, plant, and equipment from * * * million to * * * million, shareholders' equity from * * * million to * * * million, and total assets from * * * million to * * * million.

Net profit after income taxes, expressed as a ratio to total assets, ranged during 1972-76 from a low of 10.4 percent in 1976 to a high of 20.9 percent in 1975; the ratio of net profit to net investment in assets 2/ ranged from a low of 18.1 percent in 1976 to a high of 33.3 percent in 1975; and the ratio of such profit to shareholders' equity ranged from a low of 19.2 percent in 1976 to a high of 35.0 percent in 1975. These ratios were equal to or higher than national averages for manufacturing concerns during the same period.

Also during 1972-76, the current ratio (ratio of current assets to current liabilities) ranged from a low of 2.0 to 1 in 1976 to a high of 2.5 to 1 in each of the years 1973 and 1974. The ratio of long-term debt to shareholders' equity ranged from a low of 4.4 percent in 1975 to a high of 47.6 percent in 1974, and net sales per dollar of total assets ranged from a low of $1.47 in each of the years 1972 and 1973 to a high of $1.97 in 1975.

As shown in table 5, for the three producers which furnished comparable interim data for 1976 and 1977, working capital declined from * * * million in 1976 to * * * million in 1977; property, plant and equipment increased from * * * million to * * * million; shareholders' equity declined from * * * million to * * * million; total assets increased from * * * million to * * * million; and sales per dollar of total assets declined from $1.64 to $0.62.

1/ Inventory losses are not available for each of the six reporting producers. One producer will not have data available until the close of its 1977 accounting year, and another producer converted its inventory of 23-channel sets to 40-channel sets.

2/ Net investment in assets is equal to the total of working capital, fixed assets, and other assets.

A good share of the growth in total assets in 1977 reflects an undesirable growth in current assets (i.e. inventories) accompanied by an even greater growth in current liabilities. Large numbers of returned 23 channel sets from customers, coupled with existing large inventories of unsold 23-channel sets, caused current assets to increase in 1977 despite an inventory devaluation in excess of * * * million. The increase in current liabilities resulted from rising credit balances in customer accounts (returned sets), a lack of cash flow from normal operations, and increases in accounts payable and short-term debt.

Capital expenditures for production facilities and research and development expenses

Seven producers furnished data on their capital expenditures for CB transceiver production facilities for 1972-76, and for January-June 1976, and January-June 1977 (table 6). Total expenditures for land and land improvements, buildings and building improvements, machinery, equipment, and fixtures trended upward during 1972-76, ranging from * * * in 1972 to * * * million in 1976. Expenditures for January-June 1977 were * * * million compared with * * * million for the corresponding period in 1976. The producers spent a total of * * * million on production facilities during the period. One producer, a 1976 entrant into the CB radio manufacturing business, accounted for the bulk of such expenditures for 1977.

Research and development expenses relative to the production of CB radio transceivers are also shown in table 6 for six producers for 1972-76, and for January-June 1976 and January-June 1977. Research and development expenses for 23-channel CB radio transceivers increased from * * * in 1972 to * * * million in 1975, but declined sharply in 1976 to * * * and were negligible in 1977. Research and development expenses for 40-channel CB radio transceivers ranged from * * * in 1972 to * * * million in 1976. Such expenses were * * * million for January-June 1977, compared with * * * for the corresponding period in 1976. The six producers spent * * * million during the period of investigation for research and development expenses incurred in producing 23-channel and 40-channel CB radio transceiver sets.

U.S. production

According to data submitted by U.S. manufacturers of CB radio transceivers during the period covered by this investigation, U.S. production showed substantial increases until January-June 1977. Production more than tripled from 88,000 units in 1972 to 275,000 units in 1974, then more than doubled to 667,000 units in 1975 and almost doubled again to 1.2 million units in 1976. Following the onset of a decline in domestic production of CB transceivers in the latter half of 1976, substantial declines occurred

in January-June 1977, when domestic production of CB transceivers almost halved to 379,000 units, compared with 678,000 units in January-June 1976. Detailed production data are as follows (in thousands of units):

Product type	1972	1973	1974	1975	1976	January-June	
						1976	1977
Base and mobile:							
40 channels	-	-	-	-	62.6	-	339.9
23 or fewer channels	81.8	144.8	270.4	661.8	1,150.1	673.1	36.2
Hand-held	6.0	6.0	5.0	5.0	5.2	4.7	2.5
Total	87.8	150.8	275.4	666.8	1,217.9	677.8	378.6

In view of the FCC announcement of the August 1, 1977, the cutoff date for the manufacturing of 23-channel transceivers (old specifications), U.S. production of 23-channel base and mobile units fell off dramatically in January-June 1977, accounting for only 9.56 percent of total U.S. production, while 40-channel base and mobile sets accounted for 90 percent of total domestic production.

U.S. producers' shipments

The value of domestic shipments of CB's more than tripled from $10.8 million in 1972 to $32.6 million in 1974, more than doubled again to $74.7 million in 1975 and jumped to about $102.3 million in 1976. Shipments declined in the latter half of 1976, and continued to fall sharply in January-June 1977, amounting to $32.2 million compared with $61.6 million in January-June 1976. A breakdown of U.S. producers' shipments by types of CB transceivers is as follows (in thousands of dollars):

Product type	1972	1973	1974	1975	1976	January-June	
						1976	1977
Base and mobile:							
40 channels	-	-	-	-	5,206	-	21,189
23 or fewer channels	10,197	17,477	32,103	74,202	96,481	61,165	10,719
Hand-held	646	599	533	512	559	404	248
Total	10,843	18,076	32,636	74,714	102,246	61,569	32,156

U.S. exports and major foreign markets

According to responses to the Commission's questionnaires, exports of CB radio transceivers increased from $300,000 in 1972 to almost $2 million in 1976 and showed a substantial increase to $4.6 million in January-June 1977 from $1.1 million in the corresponding period of 1976 (table 1). Most U.S. exports were shipped to Canada, Australia, and several European countries. Exports account for a small percentage of total U.S. shipments because they are difficult to market in many countries abroad without substantial manufacturing alterations. Technical specifications of domestically produced CB's must be changed to comply with the standards of the Citizens Radio Service prescribed by foreign governments.

The United States is, by far, the largest CB market in the world, accounting for about 90 percent of the world market. As a consequence, large-scale CB production capacity cannot be easily diverted to other markets. Only a few other countries permit CB use, and those that do usually require a different set of specifications. Citizens band is permitted in Canada, Australia, and a few European countries. The following comments summarize the status of the major foreign markets for CB's.

Canada has general radio service which is the full equivalent of the Citizens Radio Service in the United States. There is very little domestic manufacture in Canada, and there is an import duty of 5 percent. Argentina has no formal specifications for manufacturing CB radio, but it generally accepts U.S. specifications for 23-channel service. Import duties are 30 percent. In Australia, the Government approved 23 channels for use in July-December 1977, but after January 1, 1978, the service will be limited to 18 channels for the next 5 years. There is evidence that there was a substantial amount of bootleg use (CB's illegally operated) prior to June 1977.

In West Germany a CB radio service was first authorized in 1976 with restricted power and the authorization of only 12 channels coinciding with the frequencies of channels 4 through 15 of the U.S. service. The Italian Government has accepted the equipment specifications of the United States with the exception of a reduction in radiated power, while in Brazil the legal specification for equipment conforms with the old 23-channel version of the U.S. equipment. The Brazilian import duty is more than 100 percent.

In South Africa the CB equipment manufactured for the U.S. market was limited to Government use until 1976. Because of technical problems related to the frequencies selected in South Africa, the South African market will not absorb equipment that is already developed.

Scandinavian countries have limited CB service but strong trading and licensing agreements between these countries and Japan make it difficult for U.S. producers to compete. There is no known market for CB radios in France, the United Kingdom, or Spain. There is no Japanese home market for CB radios.

Inventories

Inventories were small prior to the beginning of 1976, but during that year and in 1977 a sizeable overabundance of stocks in the hands of both domestic producers and importers came to play a crucial role in the market. There is considerable controversy over (1) the size of the overabundance at present, (2) the role of the FCC decision to decree a shift from 23 to 40 channels as a causative factor of the inventory problem, and (3) the possible role of stabilizing or declining demand for CB's, which may have caught domestic and foreign producers unaware in a period of excessively expanding production. Most of the remainder of this report consists of a discussion of these issues. On the specific issue of inventories, the Commission conducted a survey to gather information pertaining to inventory levels held, on a monthly basis from January 1976 through September 1977, by U.S. producers, importers, distributors, and retailers of CB transceivers. A summary of these findings can be found on pp. A-27 through A-31. Summary statements of the methods which are more or less contradictory and results of inventory analyses presented at the Commission's public hearing by the petitioner, as well as summary statements of a leading importer appear in appendix F.

Price trends

U.S. producers and importers of CB radio transceivers were asked to supply the lowest net selling price received on their best selling (in terms of quantity) mobile (DC only), underdash mount, 5-watt input, 4-watt (nominal) r.f. output CB transceivers for the periods January-June and July-December 1974 and quarterly for the period January 1975-June 1977. These prices were then weighted by the proportion of total quantity shipped at this price by each producer and importer to obtain the weighted average lowest net delivered price for 23- and 40-channel transceivers for each period.

Almost without exception, prices of imported transceivers were lower than those of U.S. made transceivers (table 7). Imported 23-channel transceivers were consistently lower priced except during the period April-June 1977. Prices for both imported and domestically produced 23-channel transceivers declined in July-September 1976, coincident with increased imports and the FCC ruling, and have dropped steadily since that time. The price of imported 40-channel transceivers was consistently lower than that of the transceiver produced in the United States.

U.S. producers and importers have indicated that the decline in prices of 23-channel transceivers has forced the decline in prices of the 40-channel units.

Efforts of U.S. producers to compete with imports

U.S. producers were asked to describe their efforts made in recent years to compete more effectively in the U.S. market. The firms reported that they had done one or more of the following: (1) used lower cost component parts from abroad, (2) reduced price to stay competitive with imports, (3) conducted extensive research and development work, (4) introduced the latest state-of-the-art, mass-assembly techniques, (5) developed new microprocessor technology, (6) promoted extensively within the distributor-retailer network, (7) provided high-quality, full-featured base station models not available from foreign producers, (8) designed automatic test consoles used for sophisticated testing of CB's, and (9) introduced cosmetic designs unique to the marketplace.

Threat of future injury

* * * * * * *

The Question of Imports as a Substantial Cause of Serious Injury

Petitioners claim that the alleged increased imports are a substantial cause of the serious injury, and the threat thereof. Section 201(b)(4) of the Trade Act of 1974 defines the term "substantial cause" to be a "cause which is important and not less than any other cause." Section 201(b)(2) of the Trade Act further states that, in determining whether increased imports are a substantial cause of injury, the Commission should consider all relevant economic factors, including, but not limited to, an increase in imports (either actual or relative to domestic production) and a decline in the proportion of the domestic market supplied by the domestic producers. This section sets forth and analyzes various possible causes of any injury or threat thereof.

Apparent U.S. consumption, market penetration, and inventory accumulation

Apparent consumption rose dramatically throughout the 5-year period 1972-76, from $47.2 million in 1972 to $939.6 million in 1976, with the greatest increase from 1975 to 1976 (189 percent). It dropped to $307 million in the period January-June 1977 from $447 million in the corresponding period of 1976, as shown in the following tabulation:

Period	Apparent consumption
	1,000 dollars
1972	47,214
1973	61,906
1974	119,515
1975	324,945
1976	939,561
January-June--	
1976	447,354
1977	307,182

The ratio of imports to apparent domestic consumption, although high throughout the period of this investigation, remained well below its 1972 level of 78 percent during 1973 and 1974, and then increased slightly in 1975 and sharply in 1976. The importers' share of the U.S. market peaked in January-June 1977 at 91 percent, increasing from 86 percent in the corresponding period of 1976, as shown in the following tabulation (in percent):

Period	Ratio of imports to consumption
1972	78
1973	71
1974	73
1975	77
1976	89
January-June--	
1976	86
1977	91

A crucial question in this investigation concerns the effects on prices and profits of unsold CB transceivers held in unwanted inventories throughout the manufacturing, importing, and retailing distribution network. In an effort to grapple with this question, the petitioner and a leading importer offered their own widely disparate estimates of inventories, which ranged from about 3.5 million to 11.5 million units. The methods and conclusions of each of these two analyses are offered in appendix F.

In addition, the Commission undertook a survey of major U.S. manufacturers and importers and a selected sample of distributors and retailers (including mass merchandisers) in order to determine monthly unsold inventories of 23- and 40-channel base and mobile units from January 1976 through September 1977. Of the 72 firms that were contacted, about 60 percent responded. Of these firms, Radio Shack, Lafayette Radio and Electronics Corp., Western Auto Supply Co., and J. C. Penney Co., represent approximately 6,000 retail stores.

During the survey, the following problems became apparent:

1. Many distributors and retailers do not maintain monthly or quarterly inventory figures.

2. Many respondents indicated that, as a regular practice, they maintain a "visual" inventory, purchasing whenever their stocks appear low. This is particularly true of small retailers and distributors.

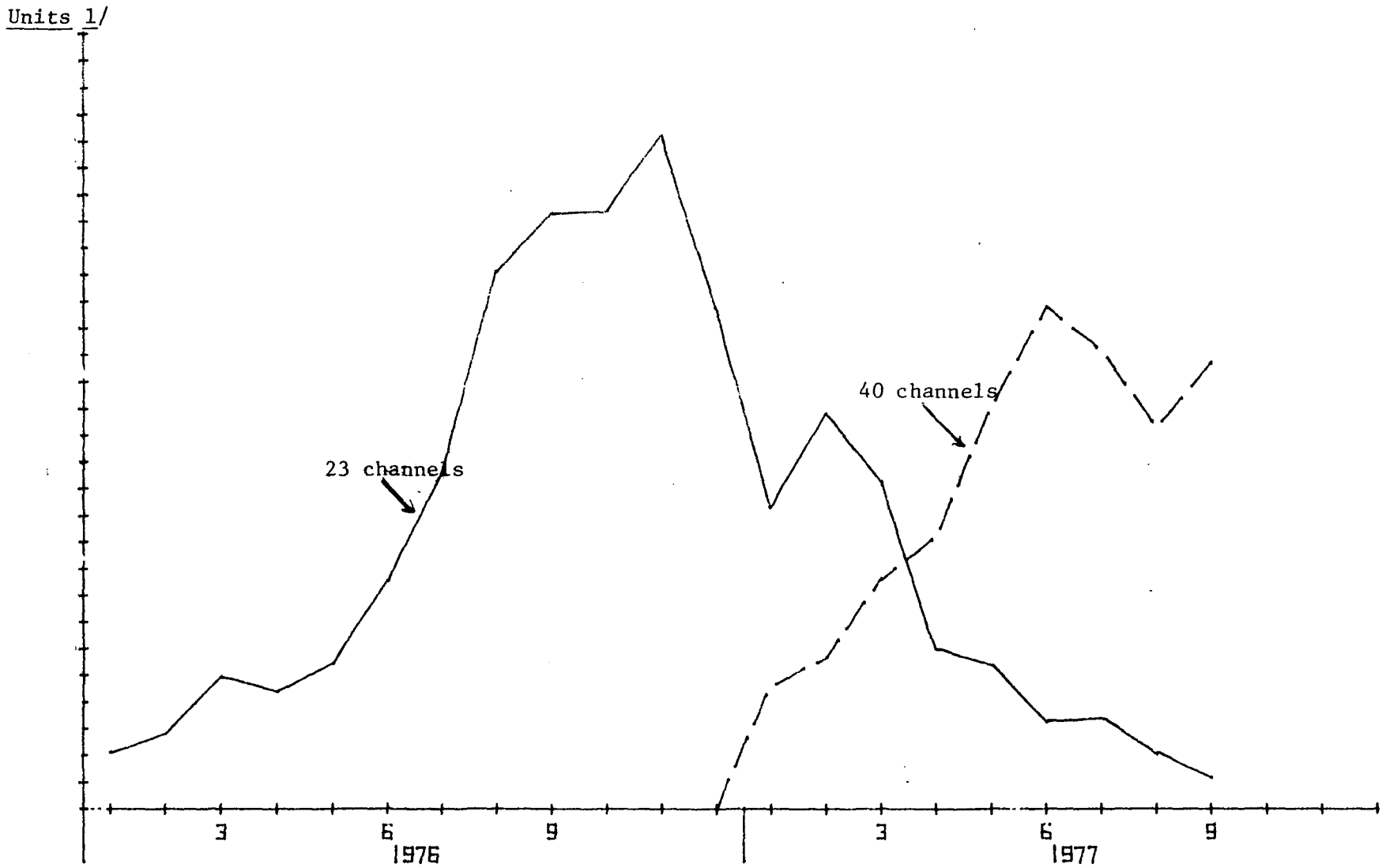
3. Domestic manufacturers, distributors, and retailers do not keep separate inventory information categorized by imported and domestic transceivers.

4. There is no census or other record of the estimated tens of thousands of small outlets which sell CB transceivers or of their respective market shares. Thus, it is impossible to know what percentage of total retail sales are represented by the study.

The results of this study should be viewed in light of the trends they represent and not in terms of actual numbers, because of the problems described above. Information from the sample indicates a rising stock trend for 23-channel base and mobile units during January-June 1976. This trend accelerated during the third quarter of that year and peaked in November at 2.6 million units (see fig. 1, and table 8). In light of the January 1, 1978, cutoff date for sales of 23-channel units (old specifications), the pattern of inventory for 23-channel units from December 1976 through September 1977 shows a general decline to 221,867 units. The inventory trend of 40-channel base and mobile units rises steadily from December 1976, peaking in June of 1977 at almost 2 million units. There was a decline in July and August to 1.5 million units followed by an increase in September to 1.8 million units.

The trend of total inventories (23- and 40-channel base and mobile) declined through January 1977 from a November 1976 peak, and then accelerated through the end of June, when it peaked at 2.4 million units (see fig. 2). Declines occurred in the 2 following months, with another slight rise to about 2 million units in September. Overall, it appears that inventory levels may be about of 25 percent lower than in late 1976, when 40-channel units were not yet sold in the marketplace.

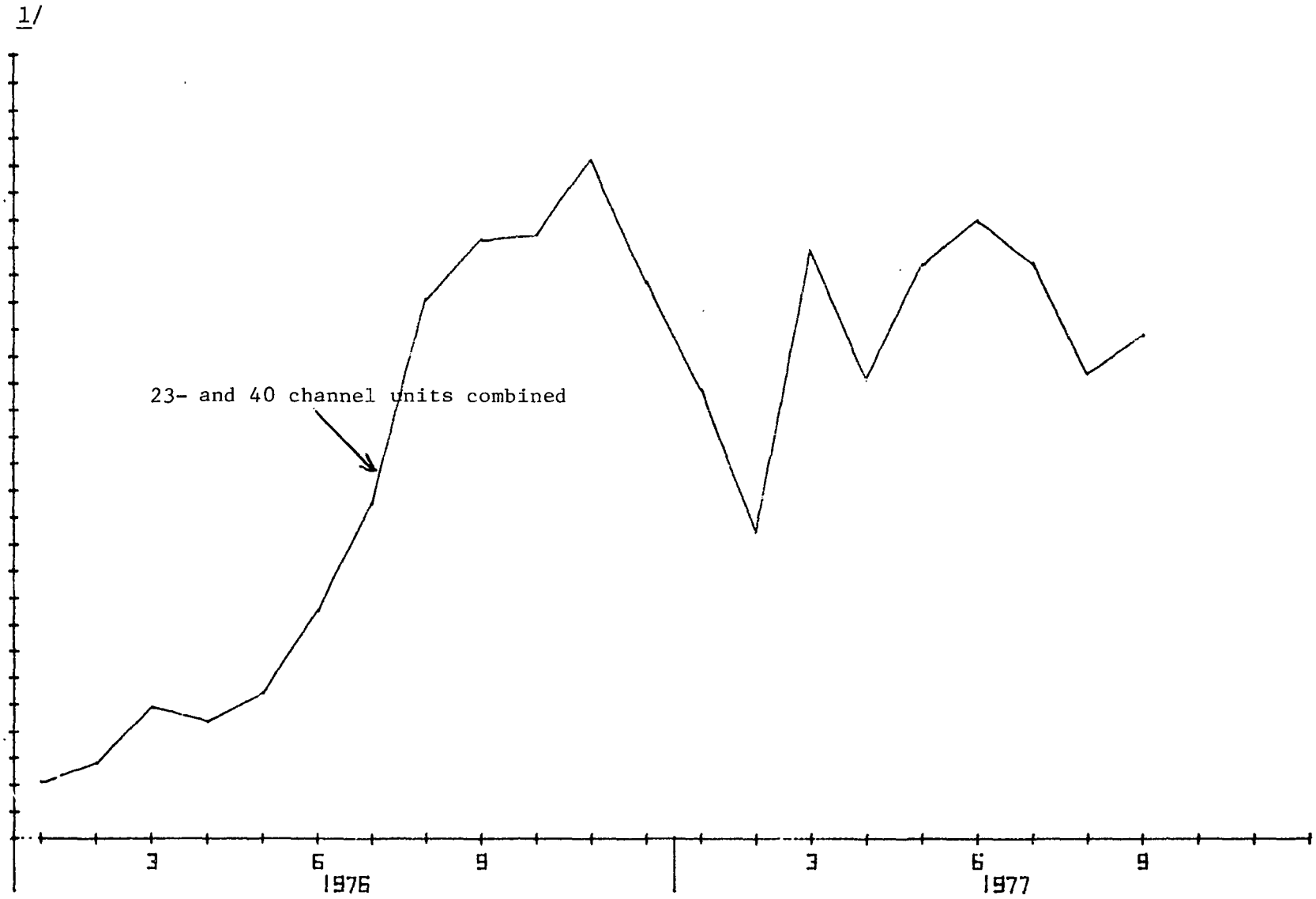
Figure 1.--CB transceivers: Quantities of inventories of 23- and 40-channel base and mobile units held by respondents to the U.S. International Trade Commission's survey, by months, January 1976-September 1977.



1/ The absolute units have not been indicated. See discussion on pages A-41-43. The trend of the units is believed to be reasonably representative of U.S. inventories.

Source: International Trade Commission survey.

Figure 2.--CB transceivers: Total quantities of inventories of 23- and 40-channel base and mobile units held by respondents to the U.S. International Trade Commission's survey, by months, January 1976-September 1977.



1/ The absolute units have not been indicated. See discussion on pages A-41-43. The trend of the units is believed to be reasonably representative of U.S. inventories.

Source: International Trade Commission survey.

Figures 1 and 2 are an indication of the trends of inventory accumulation during the period January 1976 through September 1977 and reflect only the results of the Commission's survey. An indication that current inventory levels of 23-channel units may still be substantial could be inferred from industry appeals to the FCC at the close of 1977 to postpone the cutoff date for sales of 23-channel units. 1/

Possible causes of serious injury to the domestic industry

Forced liquidation of inventories owing to the FCC announcement.--Allegations were made in the course of the investigation that a forced liquidation of inventories as a result of FCC actions was a more important cause of injury than increased imports. However, counsel for the petitioner attempted to demonstrate during the Commission's hearing that an oversupply of imports, reflected by high inventories of unsold goods, began prior to the July 1976 announcement. On July 27, 1976, the FCC ordered tightened technical specifications, expanded the number of channels available to the Citizens Radio Service from 23 to 40, and announced both the final cutoff date, August 1, 1977, for manufacturing 23-channel units (using old specifications) and authorized the initial sales date, January 1, 1977, of 40-channel transceivers (see app. H). Initial notice relating to these matters was published by the FCC in July 1974 with additional notices and requested comments from the public in July 1975 and again in March 1976, at which time the FCC stated that any adopted changes would be implemented by January 1, 1977. Both domestic producers and importers acknowledged the disruption of the July 27, 1976, FCC ruling but disagreed concerning its severity. Both producers and importers indicated at the hearing that they had been aware that the FCC was about to make changes in the technical specifications of CB's, but no one knew precisely what those changes would be or exactly when they would occur. Mr. Horner, President of E. F. Johnson Co., indicated that he was in contact with the FCC throughout the 2-year period during which FCC action was pending in this matter. He thought that the July 27, 1976, announcement would be delivered a few weeks later, in August of that year (transcript of the hearing, p. 212). Mr. Andros, President of Hy-Gain, added ". . . . anyone caught by surprise could not have been in the CB business . . . ." (transcript of the hearing p. 459). A more dramatic reaction to the July 27, 1976 FCC announcement was expressed by Mr. Kornfeld, President of Radio Shack, one of the largest importers and retailers of CB transceivers. He indicated that he was taken by complete surprise when the FCC, known as the father of us all, had changed the rules of the game, including the numbers of players and the time alloted for play. Mr. Kornfeld observed that, in the past, the FCC had cried wolf too often with talk of channel expansion to 30, 36, 50, 50-plus

1/ After the FCC denied this appeal in November 1977, these firms moved to district court in an effort to overturn the FCC ruling.

and then 99. (Transcript of the hearing, pp. 926-927). He added that, by the time of the FCC announcement, orders of 23 channel units had been made well into the first quarter of 1977.

The results of the Commission's inventory survey suggest that large-scale discounting led to significant inventory reductions in the last quarter of 1976, coincident with the Christmas selling season. Further discounting in the first quarter of 1977 apparently did not affect inventories of 23-channel CB's until the second quarter, but inventories of 40-channel CB's continued to climb despite heavy discounting. The combined inventory of 23- and 40-channel CB's of the second and third quarters of 1977 was down to roughly the same level as in mid-1976, the time of the FCC announcement.

Consumer demand.--Importers allege that increased inventories resulted primarily from a decrease in demand and not an increase in imports. Because this industry has no centralized source for market data, FCC licensing application data represent the only available indicator of market demand in this industry. The number of FCC license applications through September 1977 suggests a decline in demand from the 1976 level (see app. I). Consumer demand, as reflected by these applications, still was generally higher than in 1975, which also is considered by the industry to have been a boom year. In October 1977, however, demand appears to have dropped below the level of October 1975. 1/ This may signify consumer reluctance to purchase CB's prior to further price declines expected in 1978, or it may reflect a rise in multiple purchases of CB units by single persons for which only one FCC license is necessary. However, the FCC license application data for 1977 suggest a less buoyant market than in 1976, despite the dramatic decline in CB prices which occurred in January-June 1977. Most of the retailers who provided information in the Commission's inventory study also indicated that their retail sales of CB units have dropped from the 1976 level. 2/

Increased imports.--While supporters of the petition acknowledge the disruption caused to the industry by the July 1976 FCC announcement, they allege that increased imports are the most important cause for the injury suffered by the domestic CB industry in the period covered by this investigation. As indicated earlier, the total value of imports of CB transceivers increased rapidly on an annual basis from 1972 through 1976,

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1/ FCC officials have indicated to the Commission's staff that FCC licensing applications for November 1977 also fell below the November 1975 level.

2/ However, other industry sources have indicated to the Commission's staff that there are currently more retail outlets selling CB units in 1977 than in 1976, which might have had the effect of causing a decrease in retail sales of individual firms without reflecting a serious decline in consumer demand.

moving from $37 million in 1972 to $44 million in 1973, nearly doubling to $87 million in 1974, almost tripling to $251 million in 1975, and then increased sharply to $839 million in 1976. Import values declined in January-June 1977, with import values of 23-channel base and mobile units accounting for a generally decreasing percentage of total CB imports. Petitioners also allege that the massive accumulation of inventories in the latter half of 1976 was the result of excessive imports of CB units, a problem that became aggravated by the July 1976 FCC announcement.

Information obtained by the Commission clearly shows that over the period covered by this investigation, imports have taken an increasingly large share of the CB market. Imports' share rose overall from 78 percent in 1972 to 89 percent in 1976, with the largest increases concentrated in 1975 and 1976. In January-June 1977, when consumer demand appears to have fallen from its 1976 level, import penetration jumped to 91 percent from 81 percent in the corresponding period in 1976, notwithstanding high inventory levels held by both importers and domestic producers. Furthermore, price data obtained by the Commission show that, in fact, importers led with large price declines in October-December 1976. Domestic prices subsequently dropped in January-March 1977 and continued to drop in April-June of 1977.

APPENDIX A
NOTICE OF INVESTIGATION AND HEARING

National Register were received by the National Park Service before August 5, 1977. Pursuant to § 60.13(a) of 36 CFR Part 60, published in final form on January 9, 1976, written comments concerning the significance of these properties under the National Register criteria for evaluation may be forwarded to the Keeper of the National Register, National Park Service, U.S. Department of the Interior, Washington, D.C. 20240. Written comments or a request for additional time to prepare comments should be submitted by August 26, 1977.

RONALD M. GREENBERG,
Acting Keeper of the National Register.

ALABAMA

Hale County

Greensboro, *Erwin, John, House,* 705 Erwin Dr.

CALIFORNIA

Sacramento County

Sacramento, *Hubbard-Upson House,* 1010 F St.

COLORADO

Custer County

Westcliffe, *Hope Lutheran Church,* 310 S. 3rd.

Larimer County

Fort Collins, *Fort Collins Post Office,* 201 S. College.

IDAHO

Ada County

Grandview vicinity, *Gaffey Butte-Black Butte Archeological District,* NW of Grandview (also in Canyon, Elmore, and Owyhee Counties).

Bear Lake County

Montpelier, *Bagley, John A., House,* 155 N. 5th, St.

Kootenai County

Rathdrum, *St. Stanislaus Kostka Mission,* McCartney and 3rd Sts.

Latah County

Moscow, *Ridenbaugh Hall,* University of Idaho campus.

Payette County

Payette, *Whitney, Grant, House,* 1015 7th Ave. N.

Washington County

Weiser, *Drake, Col. C. F., House,* 516 E. Main St.

MAINE

Androscoggin County

Auburn, *Day, Holman, House,* 2 Goff St., Lewiston, *Savings Bank Block,* 215 Lisbon St.

Cumberland County

Portland, *Fifth Maine Regiment Community Center,* Seashore Ave., Peaks Island.
Yarmouth, *Mitchell House,* 40 Main St.

Knox County

Rockland, *Rockland Railroad Station,* Union St.
Rockland, *Security Trust Building,* Elm and Main Sts.

Lincoln County

Dresden vicinity, *St. John's Anglican Church and Parsonage Site,* S of Dresden.

Penobscot County

Newburgh vicinity, *Knowlton, Jabez, Store,* W of Newburgh on ME 9.

Washington County

Machias, *Porter Memorial Library,* Court St.

MARYLAND

Baltimore County

Towson, *Villa Anneslie,* 529 Dunkirk Rd.

Carroll County

Union Bridge vicinity, *Hard Lodging,* 1 mi. E of Union Bridge on Ladiesburg Rd.

Howard County

Guilford vicinity, *Christ Church,* 6300 Oakland Mills Rd.

St. Marys County

Great Mills vicinity, *Cecil's Mill Historic District,* N of Great Mills on Indian Bridge Rd.

Talbot County

St. Michaels, *Chesapeake Bay Maritime Museum,* Mill St.

Washington County

Hagerstown vicinity, *Antietam Hall,* 525 Indian Lane.
Hagerstown vicinity, *Paradise Manor,* 2550 Paradise Dr.

MISSISSIPPI

Amite County

Rosetta vicinity, *Sturdivant Fishweir,* E of Rosetta.

NEW MEXICO

Colfax County

Raton vicinity, *St. John's Methodist Episcopal Church,* 17 mi. E of Raton on NM 72.

TENNESSEE

Loudon County

Lenoir City vicinity, *Bussell Island Site,* S of Lenoir City.

Sumner County

Westmoreland, *Westmoreland Tunnel,* off TN 52.

[FR Doc.77-23328 Filed 8-15-77;8:45 am]

INTERNATIONAL TRADE COMMISSION

[TA-20129]

CITIZENS BAND (CB) TRANSCEIVERS

Investigation and Hearing

Investigation instituted. Following receipt of a petition filed by the E. F. Johnson Company, the United States International Trade Commission, on August 10, 1977, instituted an investigation under section 201(b) of the Trade Act of 1974 to determine whether Citizen Band (CB) transceivers provided for in item 685.25 of the Tariff Schedules of the United States, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestice industry producing an article like or directly competitive with the imported article.

Public hearing ordered. A public hearing in connection with this investgation will be held beginning at 10 a.m., E.D.T., Tuesday, November 1, 1977, in the Hearing Room, United States International

Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. Requests for appearances at the hearing should be received in writing by the Secretary of the Commission at his office in Washington, D.C., not later than noon, Thursday, October 27, 1977.

Inspection of petition. The petition filed in this case is available for public inspection at the Office of the Secretary, United States International Trade Commission, and at the New York City office of the Commission located at 6 World Trade Center.

By order of the Commission.

Issued: August 11, 1977.

KENNETH R. MASON,
Secretary.

[FR Doc.77-23601 Filed 8-15-77;8:45 am]

DEPARTMENT OF LABOR

Employment and Training Administration

FARMWORKER ECONOMIC STIMULUS PROGRAMS

Correction

AGENCY: Employment and Training Administration, Labor.

ACTION: Correction.

SUMMARY: This notice is a correction of the notice announcing the availability of "Solicitation for Grant Applications" (SGA), for the Farmworker Economic Stimulus Programs.

FOR FURTHER INFORMATION CONTACT:

Mr. Paul A. Mayrand, Chief, Division of Farmworker Programs, Room 7122, 601 D Street NW., Washington, D.C. 20213.

SUPPLEMENTARY INFORMATION: In FR Doc. 22165, appearing at page 39155, Vol. 42, No. 148—Tuesday, August 2, 1977, the sentence which reads: "Proposals in response to the SGA must be received by the Department at the above address by September 8, 1977, or within 30 days of the date SGAs become available, whichever is sooner" should be corrected to read "Proposals in response to the SGA must be received by the Department at the above address by September 8, 1977, or within 30 days of the date SGAs become available, whichever is later."

Signed in Washington, D.C., this 3d day of August 1977.

PAUL A. MAYRAND,
Chief, Division of Farmworker Programs.

[FR Doc.77-23574 Filed 8-15-77;8:45 am]

MASSACHUSETTS

Extended Benefits and Federal Supplemental Benefits; Correction

A notice was published in the FEDERAL REGISTER on August 5, 1977, 42 FR 39727, announcing the ending of the Extended Benefit Period and the Federal Supplemental Benefit Period in Massachusetts effective on August 6, 1977. On the basis of corrected information furnished by the Massachusetts Division of Employment Security, the benefit periods end in that State on August 13, 1977, instead of August 6, 1977.

Signed at Washington, D.C., on August 8, 1977.

ERNEST G. GREEN,
Assistant Secretary for Employment and Training.

[FR Doc.77-23573 Filed 8-15-77;8:45 am]

Office of Federal Contract Compliance Programs

INGERSOLL MILLING MANUFACTURING CO.

Debarment

Notice hereby is given that for violating Executive Order 11246, as amended, Ingersoll Milling Manufacturing Co. is declared ineligible for further contracts and subcontracts with the United States Government.

The debarment also applies to the following Ingersoll divisions and subsidiaries:

Ingersoll Manufacturing Consultants, Inc., Rockford, Ill.;
Ingersoll Manufacturing Consultants, International, S. A., Belgium;
Ingersoll Maschinen und Werkzuege GmbH, West Germany; and,
Waldrich Siegen Werkzeigmashinen GmbH, West Germany,

A copy of my Decision and Order is enclosed for publication in the FEDERAL REGISTER.

Dated: August 1, 1977.

WELDON J. ROUGEAU,
Director, OFCCP.

UNITED STATES DEPARTMENT OF LABOR, OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS

In the Matter of Ingersoll Milling Machine Co. and Defense Supply Agency.

Case No. OFCC-4000-1.

DECISION AND ORDER

After a hearing in the above-captioned matter, Administrative Law Judge Salvatore J. Arrigo found that Ingersoll Milling Machine Co. has violated its contractual obligations pursuant to 41 CFR Part 60-2 of the Secretary of Labor's regulations implementing Executive Order 11246, as amended, and recommended debarment of the Company. Subsequently, the Assistant Secretary of Defense for Manpower and Reserve Affairs forwarded a proposed debarment order to the Director of the Office of Federal Contract Compliance Programs.

In accordance with the powers granted to the Director, Office of Federal Contract Compliance Programs by Title 41, Code of Federal Regulations, Section 60-1.27 of the Secretary of Labor's regulations issued pursuant to Executive Order 11246, as amended, I hereby approve the debarment of the Ingersoll Milling Machine Co., and any and all purchasers, successors, assignees, and/or transferees, from the award of any contract or subcontract funded in whole or in part with Federal funds, and from extensions or other modifications of any such existing contracts or subcontracts.

APPENDIX B
TREASURY DEPARTMENT'S STATISTICAL BREAKOUTS FOR TRANSCEIVERS

TREASURY DEPARTMENT
A-40
U.S. CUSTOMS SERVICE
CUSTOMS INFORMATION EXCHANGE

C.I.E. 5/77
February 7, 1977

SUBJECT: Statistical Breakouts For Transceivers (TSUSA Items 685.2502 Through 685.2527) - Effective January 1, 1977

1 FEB 1977

MAN-5-06-O:D:S GB

STATISTICAL CIRCULAR NO. 102

Since January 1975, imports of CB transceivers have grown over 75 percent with penetration into the United States market estimated at 80 percent. Consequently, the Committee for Statistical Annotation of Tariff Schedules (484e Committee) has revised the statistical breakouts for TSUS item 685.25 to provide more detailed statistical data effective January 1, 1977. Those breakouts in the Tariff Schedules of the United States Annotated (TSUSA) are as follows:

		Radiotelegraphic and radiotelephonic transmission, etc:
		***
		Radiotelegraphic and radiotelephonic transmission, etc.:
		***
		Other:
		***
A - 685.25		Other.....
		Transceivers:
		Citizens Band (CB):
	02	CB transceiver and AM or AM/FM radio combination.....No.
		Handheld:
	05	Valued not over $7.50 each.....No.
	06	Other.....No.
		Other:
		AC only:
	10	Single-sideband (SSB).....No.
		Other:
	11	40 channel.....No.
	12	Other.....No.
		Other:
	17	Single-sideband (SSB).....No.
		Other:
	18	40 channel.....No.
	19	Other.....No.

	Other:	
26	Handheld	No.
27	Other	No.

To comply with the requirements of the U.S. Customs Service and the U.S. Bureau of the Census, importers must furnish statistical information on import entries and withdrawal forms in accordance with the statistical classification and 7-digit reporting numbers in terms of the TSUSA.

Failure to report imports in terms of the reporting requirements may result in the filing of incorrect import documents which will be returned for correction before entry is accepted by the District Directors of Customs.

To insure compliance with such statistical reporting requirements, Customs Headquarters is herewith disseminating information excerpted from a memorandum released by the Committee which explains each statistical annotation. It is being reproduced for field officers and the importing public to advise them of the intentions of the Committee and to assist them in the statistical classification of these commodities.

The following information has been taken from the above-noted memorandum:

> The new breakouts are designed primarily to separate the CB consumer transceivers from the commercial, high quality radio telephone transceivers. Thus there are two major headings: "Citizens Band" and "Other". Those types of transceivers expected to be enumerated under the "Other" (685.2526 and .2527) are expected to be expensive ($400 and above) commercial truck fleet, police, fire, ambulance, aviation and military type transceivers. These transceivers generally operate on "UHF" frequencies. There will also be some consumer type marine radio telephone transceivers usually identified as VHF, FM, 25W (Watt), mobile or marine, 6 or 12 channel transceivers. Under "Other Handheld" (685.2526) should be the expensive ($100 and up) guard and police type UHF transceivers.
>
> The CB transceiver breakouts (685.2502 thru 685.2519) are designed to separate imports into the following categories: combinations (CB transceivers plus regular entertainment broadcast receivers), 685.2502; handheld, both toy type (non-licensed) and the more expensive, multichannel, higher powered CB transceivers, 685.2505 and 685.2506; base stations (so-called by the industry), AC powered transceivers used in homes and offices, 685.2510 thru 685.2512; and finally, the mobile transceivers, DC (or DC and AC) powered, intended to be mounted in automobiles, trucks, and boats, 685.2517 thru 685.2519. This last category, AC/DC or DC does include units which are easily removable (under dash, slide mounts) and which can be plugged into house current (AC). These are popular units due to the theft problems associated with the mobile units.

As to each breakout, the following is a non-tariff language description of the articles which hopefully will be trapped in each annotation.

TSUSA	DESCRIPTION
685.2502	Mostly mobile CB transceivers (in or under dash), 23 or 40 channel in combination with AM or AM/FM (mono or stereo) radios; tape player combinations go in 678.50; some small quantity of bicycle type novelty radios will pollute these statistics.
685.2505	Handheld toys, usually imported in pairs, require no license, and operate with a power output of less than 100 milliwatts. By direction of the FCC these units will have to be shifted to the 49MH_z Band (currently they are on the regular 27MH_z CB band) by the end of this year. At which time, the value bracket will be removed and the designation of "49 MH_z Band" will be used for this annotation.
685.2506	These are portable regular CB units with power outputs of from 100 milliwatts to 5 watts, a license is required; these are mostly battery (DC) powered although an AC power cord may be available to recharge the batteries from house current; these units most closely resemble the World War II walkie-talkie.
685.2510	These are expensive (over $100 import value) house current (AC) only home or office transceivers; they are sometimes referred to as 69 channels (23 AM, 23 SSB low, 23 SSB high); the 40 channel SSB units may be designated 120 channel; these usually show a 12W (Watt) power output since 5 Watt AM (regular CB) translates to approximately 12 Watts in SSB mode of operation.
685.2511	These are base station 40 channel units.
685.2512	23 channel base station (will probably go out of production in 1977 - late).
685.2517	Mobile (DC), or removable, SSB (see above 685.2510) units.
685.2518	Mobile AM only, DC or AC/DC, new 40 channel units.
685.2519	Mobile AM only, DC or AC/DC 23 (or less) channels.

TSUSA	DESCRIPTION
685.2526	Commercial, high quality UHF handheld units used by police, doctors (2 way pagers), ski instructors, etc. These type equipments have extensive license requirements are very reliable -- not CB.
685.2527	All other transceivers including a quasi-consumer marine radio telephone product, the VHF-FM 25 Watt 6 or 12 channel radio telephone.

It is suggested that producers and sellers be advised to use the information provided in this circular as a guide in preparing their invoices. The product descriptions should be in sufficient detail to permit an accurate determination of the statistical classification at the time of entry. They should be further urged to show the correct TSUSA reporting number on the invoice. These numbers may be shown in a margin adjacent to the described items. This information will enable the importer or his broker to make proper entry of the merchandise and thus facilitate the clearance of shipments through U.S. Customs.

The information in this circular is intended solely for the convenience of interested parties and is not to be construed as setting forth an established and uniform practice relative to the dutiable classification of the described merchandise. Binding classifications as to the dutiable status of specific items of merchandise can be obtained by writing to the Commissioner of Customs, Washington, D.C. 20229.

The contents of this circular should be made available to Customs officers, brokers, importers and others concerned.

John B. O'Loughlin

Dist. 300

APPENDIX C
STATISTICAL TABLES

Table 1.--CB radio transceivers: U.S. shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1972-76, January-June 1976, and January-June 1977

Period	U.S. shipments 1/	Imports	Exports	Apparent consumption	Ratio of imports to--	
					U.S. shipments	Consumption
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent	Percent
1972	10,843	36,671	300	47,214	338	78
1973	18,076	44,130	300	61,906	244	71
1974	32,636	87,299	420	119,515	267	73
1975	74,714	251,335	1,104	324,945	336	77
1976	102,246	839,302	1,987	939,561	821	89
Jan.-June--						
1976	61,569	386,844	1,059	447,354	628	86
1977	32,156	279,670	4,645	307,182	870	91

1/ Refers only to shipments of U.S.-made CB transceivers.

Source: U.S. shipments and exports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Imports are carefully prepared estimates based on official statistics compiled by the U.S. Department of Commerce. Refer to p. A-18 for method used to derive these figures, which exclude hand-held units valued at not over $7.50 each.

Table 2.--CB radio transceivers: U.S. imports for consumption, by types, by months, January 1975-September 1977

Year and month	Hand-held 1/		Base and Mobile		Total	
	Quantity	Value	Quantity	Value	Quantity	Value
	1,000 units	1,000 dollars	1,000 units	1,000 dollars	1,000 units	1,000 dollars
1975:						
January	2/	2/	2/	2/	2/	2/
February	78	1,727	312	17,143	390	18,870
March	137	1,453	191	10,970	328	12,428
April	60	1,568	189	10,996	249	12,564
May	60	1,269	234	13,662	294	14,931
June	113	1,253	288	16,227	401	17,480
July	15	370	384	21,317	399	21,687
August	113	2,078	362	19,126	475	21,204
September	210	2,542	445	23,187	685	25,729
October	138	1,927	572	30,270	710	32,197
November	94	1,654	492	27,140	586	28,794
December	108	2,777	799	42,674	907	45,451
Total	1,126	18,623	4,268	232,712	5,394	251,335
1976:						
January	92	1,848	782	42,003	874	43,851
February	122	1,815	815	43,403	937	45,218
March	113	1,912	1,449	75,127	1,562	77,039
April	31	646	1,313	68,720	1,344	69,366
May	15	390	1,289	67,389	1,304	67,779
June	121	2,952	1,536	80,639	1,657	83,591
July	191	3,550	1,691	90,237	1,882	93,787
August	152	2,406	1,541	82,557	1,693	84,963
September	244	3,975	1,348	71,206	1,592	75,181
October	197	2,254	1,380	73,972	1,577	76,226
November	248	3,398	1,068	61,480	1,316	64,878
December	231	3,296	1,025	54,127	1,256	57,423
Total	1,757	28,442	15,237	810,860	16,994	839,302
1977:						
January	65	842	830	41,396	895	42,238
February	108	2,134	770	39,750	878	41,884
March	219	3,387	819	44,851	1,038	48,238
April	186	3,008	843	43,519	1,029	46,527
May	107	1,263	952	54,304	1,059	55,567
June	142	1,554	791	43,662	933	45,216
July	157	2,625	584	33,602	741	36,227
August	353	5,841	480	28,928	833	34,769
September	287	3,468	420	25,051	707	28,519
Total (Jan.-Sept.)	1,624	24,123	6,489	355,062	8,113	379,185

1/ Import figures exclude hand-held units valued at not over $7.50 per unit.
2/ The import data for January 1975 were not entered into the data processing system of the Foreign Trade Division of the Bureau of Census. Import data for January 1975 were processed in February 1975 and March 1975 and are included in these monthly figures.

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

Table 3.--Profit-and-loss experience of 6 U.S. producers of CB transceivers on their total company operations for accounting years 1972-76, and of 4 U.S. producers for the 1977 interim period 1/

(Money figures in thousands of dollars)

Item	1972	1973	1974	1975	1976	1977 2/
Net sales	* * *	* * *	* * *	* * *	* * *	* * *
Cost of sales:						
Materials	* * *	* * *	* * *	* * *	* * *	* * *
Labor	* * *	* * *	* * *	* * *	* * *	* * *
Other factory costs	* * *	* * *	* * *	* * *	* * *	* * *
Opening inventory	* * *	* * *	* * *	* * *	* * *	* * *
Closing inventory	* * *	* * *	* * *	* * *	* * *	* * *
Total cost of sales	* * *	* * *	* * *	* * *	* * *	* * *
Gross profit	* * *	* * *	* * *	* * *	* * *	* * *
General, administrative, and selling expenses:						
General and administrative expenses 3/	* * *	* * *	* * *	* * *	* * *	* * *
Selling expenses	* * *	* * *	* * *	* * *	* * *	* * *
Total general, administrative, and selling expenses	* * *	* * *	* * *	* * *	* * *	* * *
Operating profit or (loss)	* * *	* * *	* * *	* * *	* * *	* * *
Other income and (expense), net	* * *	* * *	* * *	* * *	* * *	* * *
Net profit or (loss) before income taxes	* * *	* * *	* * *	* * *	* * *	* * *
Income taxes	* * *	* * *	* * *	* * *	* * *	4/
Net profit or (loss) after income taxes	* * *	* * *	* * *	* * *	* * *	4/
Ratio of operating profit or (loss) to net sales--------percent	18.3	18.7	18.6	22.9	7.2	(24.4)
Ratio of net profit or (loss) before income taxes to net sales--------percent----do--	17.4	17.3	16.1	21.0	6.8	(27.5)
Ratio of net profit or (loss) after income taxes to net sales--------percent----do--	8.9	8.6	8.0	10.6	5.7	4/

1/ The accounting year for 3 producers ending Dec. 31, and the accounting year for each of the other 3 producers ending on or between June 30 and Sept. 30. Data for the producer with an accounting year ending June 30 are shown above under the year in which its accounting year began.

2/ Data for 3 producers are for a 6-month period ending June 30, and data for the other producer are for an 11-month period ending July 31.

3/ Includes engineering and development expenses.

4/ Data are not available.

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

Table 4.--Profit-and-loss experience of 2 U.S. producers of CB radio transceivers on their CB radio transceiver operations, for accounting years ending December 31, 1972-76, and for corresponding 6-month periods ending June 30, 1976, and June 30, 1977

* * * * * * *

Table 9. Profit and loss experience and financial condition of 6 U.S. producers of CB radio transceivers on their total company operations, accounting years 1972-76, 1/and for 3 U.S. producers for interim periods, 1976 and 1977. 2/

(Money figures in thousands of dollars)

Item	1972	1973	1974	1975	1976	Comparable interim periods	
						1976	1977
Net sales	* * *	* * *	* * *	* * *	* * *	206,362	89,356
Net profit or (loss) before income taxes	* * *	* * *	* * *	* * *	* * *	44,278	(24,373)
Net profit or (loss) after income taxes	* * *	* * *	* * *	* * *	* * *	30,410	(15,734)
Current assets	* * *	* * *	* * *	* * *	* * *	109,175	120,379
Current liabilities	* * *	* * *	* * *	* * *	* * *	(36,695)	(85,136)
Working capital	* * *	* * *	* * *	* * *	* * *	72,480	35,243
Property, plant and equipment, net	* * *	* * *	* * *	* * *	* * *	14,018	20,811
Other assets	* * *	* * *	* * *	* * *	* * *	2,880	3,050
Net investment in assets	* * *	* * *	* * *	* * *	* * *	89,378	59,104
Long-term debt	* * *	* * *	* * *	* * *	* * *	(2,280)	(4,567)
Deferred credits and income taxes	* * *	* * *	* * *	* * *	* * *	(514)	(586)
Shareholders' equity	* * *	* * *	* * *	* * *	* * *	86,584	53,951
Total assets	* * *	* * *	* * *	* * *	* * *	126,073	144,241
Current ratio 3/	2.4 to 1	2.5 to 1	2.5 to 1	2.3 to 1	2.0 to 1	3.0 to 1	1.4 to 1
Ratio of net profit or (loss) before income taxes to net sales--percent	17.4	17.3	16.1	21.0	6.8	21.5	(27.3)
Ratio of net profit or (loss) after income taxes to:							
Net sales--percent	8.9	8.6	8.0	10.6	5.7	14.7	(17.6)
Total assets--do	13.1	12.7	13.2	20.9	10.4	24.1	(10.9)
Net investment in assets--do	19.2	18.2	19.0	33.3	18.1	34.0	(26.6)
Shareholders' equity--do	22.4	24.6	28.6	35.0	19.2	35.1	(29.2)
Ratio of long-term debt to to shareholders' equity-percent	14.7	33.0	47.6	4.4	5.3	2.6	8.5
Net sales per dollar of total assets	$1.47	$1.47	$1.64	$1.97	$1.83	$1.64	$0.62

1/ The accounting year for 3 producers ending Dec. 31, and the accounting year for each of the other 3 producers ending on or between June 30 and Sept. 30. Data for the producer with an accounting year ending June 30 are shown above under the year in which its accounting year began.

2/ The profit-and-loss data for 2 producers are for a 6-month period ending June 30. The profit-and-loss data of the other producer are for a 9-month period ending May 28. The financial condition of the 3 producers are as of the ending date of these periods.

3/ Ratio of current assets to current liabilities.

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

Table 6.--CB radio transceivers: Capital expenditures for production facilities and research and development expenses, 1972-76, January-June 1976, and January-June 1977

* * * * * * *

Table 7.--CB radio transceivers: Weighted average lowest net selling prices received by U.S. producers and importers from sales of 23- and 40-channel CB radio transceivers, January-June 1974 and July-December 1974, and, by quarters, January 1975-June 1977

Period	U.S.-produced CB transceivers		Imported CB transceivers	
	23 channels	40 channels	23 channels	40 channels
1974:				
January-June	$95.46	-	$85.14	-
July-December	96.00	-	76.83	-
1975:				
January-March	95.93	-	74.52	-
April-June	95.95	-	71.80	-
July-September	95.96	-	78.88	-
October-December	97.02	-	71.43	-
1976:				
January-March	100.15	-	77.13	-
April-June	94.66	-	88.61	-
July-September	84.87	-	77.34	-
October-December	82.30	$138.05	48.72	$79.37
1977:				
January-March	51.64	102.80	44.53	78.71
April-June	28.31	70.21	43.73	63.34

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

Table 8.--CB radio transceivers: U.S. manufacturers', importers', distributors', 1/and retailers' 2/inventories, by types, by months, January 1976-September 1977

Period	Manufacturers'		Importers'		Distributors'		Retailers'		Total	
	23-channel	40-channel	23-channel	40-channel	23-channel	40-channel	23-channel	40-channel	23-channel	40-channel
1976:										
Jan	51,921	-	144,495	-	0	-	118,665	-	315,081	-
Feb	52,224	-	197,388	-	0	-	127,096	-	376,708	-
Mar	55,715	-	364,899	-	0	-	172,857	-	593,471	-
Apr	51,160	-	369,982	-	0	-	173,182	-	543,224	-
May	62,275	-	312,673	-	0	-	330,862	-	643,540	-
June	154,075	-	380,314	-	0	-	420,015	-	954,404	-
July	172,389	-	725,692	-	18,384	-	436,021	-	1,352,486	-
Aug	229,246	-	1,305,198	-	19,729	-	559,200	-	2,113,373	-
Sept	290,874	-	1,376,455	-	20,469	-	640,684	-	2,328,482	-
Oct	299,099	-	1,540,230	-	15,946	-	484,387	-	2,339,212	-
Nov	350,246	-	1,713,575	-	13,606	-	547,175	-	2,624,602	-
Dec	312,790	27,740	1,323,196	9,836	12,725	-	337,249	64,034	1,985,960	101,610
1977:										
Jan	308,150	5,425	632,771	379,089	9,224	1,927	277,283	172,971	1,227,428	559,412
Feb	263,150	24,956	1,086,020	379,035	8,770	2,547	219,120	267,779	1,577,060	674,317
Mar	234,045	53,653	932,224	484,006	4,145	3,718	165,217	418,522	1,335,631	959,899
Apr	228,343	75,041	357,730	583,517	2,303	3,681	112,089	458,108	700,465	1,120,347
May	134,941	98,929	388,059	896,341	2,158	3,653	113,118	611,506	638,276	1,610,429
June	109,287	90,430	251,389	1,196,218	919	3,698	67,499	686,286	429,094	1,976,632
July	100,287	99,437	293,097	1,098,877	751	3,000	44,761	619,601	438,896	1,820,915
Aug	85,921	90,780	193,758	852,952	204	2,394	26,326	588,113	306,209	1,534,239
Sept	39,942	140,685	169,497	1,044,994	0	2,211	12,428	580,186	221,867	1,768,076

1/ Only one distributor was able to provide inventory data on a monthly basis.

2/ A selected sample of retailers, representing approximately 6,000 retail outlets, provided inventory data on a monthly basis.

Source: Results of the Commission's survey.

APPENDIX D
PRESS RELEASE FROM TEXAS INSTRUMENTS

NEWS RELEASE C-370
FOR IMMEDIATE RELEASE

R. M. PERDUE, 8-30-77
Phone: (214) 238-3481

TEXAS INSTRUMENTS
INCORPORATED
POST OFFICE BOX 5474 • DALLAS, TEXAS 75222

TI ANNOUNCES DELAY IN CB RADIO PRODUCTION

DALLAS, Aug. 30 --(Special)--Texas Instruments Incorporated has announced a decision to delay submitting its recently announced 40-channel AM/Single Sideband CB mobile radio and base station for FCC type acceptance. TI said the reason for the delay is to permit redesign to meet performance specifications and "design-to-cost" goals. TI explained that the industry's present excess inventory of CB radios amplifies the importance of achieving the cost and performance goals. Because of this redesign and plans for extensive field testing, TI said it had been decided not to make the CB radio available to the marketplace until early 1978.

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APPENDIX E
WORKER PETITION FOR CERTIFICATION OF ELIGIBILITY TO APPLY FOR ADJUSTMENT ASSISTANCE AT THE DEPARTMENT OF LABOR

U.S. DEPARTMENT OF LABOR

BUREAU OF INTERNATIONAL LABOR AFFAIRS

Date: 4/6/77

WASHINGTON, D.C. 20210

Reply to Attn of:

Subject: Trade Act of 1974, Worker Petition for Certification of Eligibility to Apply for Adjustment Assistance, Tram/Diamond Corporation, Winnisquam, New Hampshire (TA-W-2127)

To: Certifying Officer

I. Recommendation

In accordance with 29 CFR 90.15 and the criteria set forth in Section 222 of the Trade Act of 1974, it is recommended that all workers engaged in employment related to the production of CB base station units at Tram/Diamond Corporation, Winnisquam and Laconia, New Hampshire who became totally or partially separated from employment on or after January 1, 1977 be certified as eligible to apply for worker adjustment under Title II, Chapter 2 of the Trade Act of 1974.

This recommendation is based on the following findings:

1. The average number of workers at Tram/Diamond's New Hampshire plants declined in the first and second quarters of 1977 compared to the respective previous quarter.

2. Tram/Diamond opened a facility in Mexico in January 1977 to produce the same base station unit made in its Winnisquam, New Hampshire plant. Production of base stations at Winnesquam declined in each month from March through June 1977, compared to the respective previous month. Concurrently, production of base stations in Mexico increased in each month from January through May 1977, compared to the respective previous month.

3. Aggregate imports of CB base station units increased from 1975 to 1976.

4. Customers of Tram/Diamond who were surveyed indicated that their orders for base station units were increasingly supplied from Tram/Diamond's Mexican plant.

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2/8/77

4/6/77

II. Worker Petition and Labor Department Notice of Investigation

On June 6, 1977, the Office of Trade Adjustment Assistance received a petition filed under Section 221(a) of the Trade Act of 1974 on behalf of workers and former workers engaged in the production of CB ratios at Tram/Diamond Corporation, Winnisquam, New Hampshire.

On June 7, 1977, the Director of the Office of Trade Adjustment Assistance issued a Notice of Investigation (42 FR 38936) including a provision that interested parties may request the Department to hold a public hearing on the subject of investigation not later than ten days after the Notice is published in the Federal Register. No request was received. During the course of the investigation, official notice was taken of the information and publications of Tram/Diamond Corporation, its customers, the U.S. International Trade Commission, the U.S. Department of Commerce, the Electronics Industry Association, industry analysts and Department files. The recommendation is based upon the entire record and the following findings of fact.

III. Company, Plant and Products

Tram Electronics, Incorporated, was founded in 1960 and began production in the fall of 1961. In the late 1960's the name was changed to Tram Corporation. In 1975 Tram merged with Diamond Microwave Corporation and took its present name of Tram/Diamond Corporation.

Tram/Diamond is a producer, importer and seller of citizen band radios, both base stations and mobile units. The company operates five plants; Winnisquam, New Hampshire (2), Laconia, New Hampshire, Arizona, and Mexico. The mobile units sold by Tram/Diamond are imported from Japan and have never been produced here.

The company has operated the Winnisquam site since 1960; the plants were expanded and added as the company grew. In one of the buildings at Winisquam, base stations are produced. In the other, engineering and drafting operations are maintained (design and development, ongoing production engineering for the base station as well as quality control maintenance for the imported CB mobile unit). The Laconia plant has operated for about a year. Processing for the imported mobile unit and base station customer service are conducted there. The plant in Mexico began production in mid-January 1977. The Arizona plant, a hand-in-hand operation with Mexico, began at the same time. Base stations are produced in Mexico. The Arizona plant does some processing for the Mexican imports and acts as the West Coast repair facility for Tram/Diamond.

The petition covers workers at the Winnisquam, New Hampshire plant. Since employment is combined for the New Hampshire plants, and Laconia functions as a base station customer service facility, the petition was expanded to include workers at the Laconia,

New Hampshire plant who were engaged in employment related to the production of base station units. Base stations - citizen band radios for stationary use - are produced in Winnisquam. The base stations are 23 channel units made with tubes.

The base stations are marketed under the Tram name; Tram D-201 base station is the identifying name. Sales of base stations represented 44 percent of total company sales in the 8 month period ending May 31, 1977.

IV. Industry Perspective

A citizens band (CB) radio is a two-way communication system which operates on very low radio frequencies. Most CB transceivers are mobile, in that they are designed for use in automobiles, boats and other vehicles. There are also hand-held units, such as the common "walkie-talkie," but these are usually more in the nature of toys than of communication equipment. Base station units are larger sets designed for stationary use.

All CB equipment produced in the U.S. is classified under SIC 3662189 Citizens Radio Communication Equipment. This category includes all types of transceivers, antennas, mounts, etc., of which base station units account for about 15.0 percent in terms of value.

The CB radio industry came into existence in 1958, when the citizens bands were designated to open up a public information system with limited licensing. It was not until 1973, however, that the production of CB equipment reached a level of major import. The gasoline shortage in that year induced truckers to adopt the CB radio as a means of monitoring fuel supplies along the major highways, as well as of keeping track of patrol cars enforcing the newly-instituted 55 miles-per-hour speed limit. The popularity of the communication system quickly spread to the owners of passenger vehicles, where their function has evolved into primarily a traffic information service.

As a result of the crowding of the CB frequencies, the FCC announced in June 1976 an increase from the previous 23 channels to 40 channels, effective January 1, 1977.

The value of CB base station units imported into the U.S. increased tremendously over the last four years. From 4.2 million dollars in 1973 (the fist year that imports reached an appreciable level) the value of imports of base station units rose 3,681.0 percent to 158.8 million dollars in 1976, an average increase of 235.6 percent per year. In the first quarter of 1977, however, the value of imports decreased 5.8 percent to 31.0 million dollars from 32.9 million dollars in the fist quarter of 1976. This reflects the slowdown in production caused by the glut of transceivers on the market. Once the excess is eliminated, the previous upward trend should continue.

Table 1 : Citizens Band Base Station Units

Value: Millions of Dollars

Year	U.S. Production 1/	U.S. Exports	U.S. Imports 2/	Apparent U.S. Consumption	I./P.*	I./C.**
1972	2.0		0.0	2.0	0.0	0.0
1973	4.8		4.2	9.0	87.5	46.7
1974	10.1		20.6	30.7	204.0	67.1
1975	24.0		79.6	103.6	331.7	76.8
1976	25.8		158.8	184.6	615.5	86.0
Year to Date: January through March						
1976	N/A		32.9			
1977	N/A		31.0			

* I./P. = (Imports/Production) x 100
** I./C. = (Imports/Consumption) x 100

See Appendix for Data Sources and Footnotes.

In 1976, Japan was by far the leading exporter of CB equipment to the U.S., accounting for almost 90.0 percent of all CB supplies imported into this country. Imports under Tariff Provision 807.00 totalled 0.5 percent of all CB imports, and imports under the Generalized System of Preferences (GSP) comprised 8.9 percent. Taiwan provided most of the imports under GSP.

V. Company Sales, Production, Imports and Inventories

Total company sales of CB base station units at Tram/Diamond increased 138 percent, in value, from 1975 to 1976.

Production of base station units at the Winnisquam, New Hampshire plant declined 22 percent from January to February 1977, increased 10 percent from February to March 1977, declined 5 percent from March to April 1977, declined 9 percent from April to May 1977, and declined 10 percent from May to June 1977. The number of CB base station units produced was 33 percent lower in the month of June 1977 compared to the month of January 1977.

Production in Mexico began in January 1977. Production of base station units at the Mexico plant increased 208 percent from January to February 1977, increased 70 percent from February to March 1977, increased 33 percent from March to April 1977, increased 32 percent from April to May 1977 and declined 69 percent from May to June 1977. In the first half of 1977, Mexican production represented 34 percent of total CB base station production at Tram/Diamond.

Minimal finished inventories of base station units are maintained.

VI. Company Employment

Workers at Tram/Diamond's New Hampshire plants (Winnisquam and Laconia) were not separately identifiable.

The average number of workers increased 117 percent from 1975 to 1976 and increased 66 percent in the first half of 1977 compared to the same period in 1976. Employment declined 4 percent in the first quarter of 1977 and 10 percent in the second quarter of 1977, compared to the respective previous quarters. A major layoff occurred in June 1977.

VII. Factors Contributing to Total or Partial Separations

Imports of CB base station units increased, in absolute terms, in each year from 1972 through 1976. Imports increased 99 percent from 1975 to 1976 and declined 6 percent in the first quarter of 1977 compared to the first quarter of 1976. The ratios of imports to domestic production and consumption increased from 331.7 percent and 76.8 percent, respectively, in 1975 to 615.5 percent and 86.0 percent, respectively, in 1976.

In January 1977, Tram/Diamond began operations in Mexico to produce CB base station units. Additional capacity, above that provided by the Winnisquam plant, was needed. While production began to decline slightly in Winnisquam after January, production increases were occurring in Mexico. In the first half of 1977, 34 percent of the base station units being produced by Tram/Diamond were being produced in Mexico. In the month of May 1977, Mexican production actually surpassed Winnisquam production; the number of base stations produced in Mexico during that month was 12 percent higher than the number produced in Winnisquam.

Customers of Tram/Diamond who were surveyed indicated that their orders for the D-201 base station units were increasingly supplied from Tram/Diamond's Mexican plant.

VIII. Appropriate Subdivision, Impact Date and Estimated Caseload

All workers engaged in employment related to the production of CB base station units at the Winnisquam and Laconia, New Hampshire plants of Tram/Diamond Corporation constitute the appropriate subdivision. A recommended impact date of January 1, 1977 would generate an estimated caseload of 80 workers.

IX. Area Employment

The unemployment rate for Belkna County, New Hampshire (Winnisquam) was 7.1 percent in December 1977.

HAROLD A. BRATT
Acting Director, Office of
Trade Adjustment Assistance

I concur, accept and adopt the findings of fact and recommendation as set forth herein, except as noted below.

Exceptions:

DEPARTMENT OF LABOR

Office of the Secretary

[TA-W-2127]

TRAM/DIAMOND CORPORATION
WINNISQUAM, NEW HAMPSHIRE

File Copy
ILAB
Initials
9/8/77
9/9/77
9/14/77
9/22/77

Certification Regarding Eligibility to Apply for Worker Adjustment Assistance

In accordance with Section 223 of the Trade Act of 1974 the Department of Labor herein presents the results of TA-W-2127: investigation regarding certification of eligibility to apply for worker adjustment assistance as prescribed in Section 222 of the Act.

The investigation was initiated on June 7, 1977 in response to a worker petition received on June 6, 1977 which was filed on behalf of workers and former workers producing citizens band radios (base station units) at Tram/Diamond Corporation, Winnisquam, New Hampshire. The petition was expanded to include workers at Tram/Diamond Corporation, Laconia, New Hampshire, who were engaged in employment related to the production of base station units.

The Notice of Investigation was published in the Federal Register on June 17, 1977 (42 FR 38936). No public hearing was requested and none was held.

The information upon which the determination was made was obtained principally from officials of Tram/Diamond Corporation, its customers, the Electronics Industries Association, the U.S. Department of Commerce, the U.S. International Trade Commission, industry analysts and Department files.

In order to make an affirmative determination and issue a certification of eligibility to apply for adjustment assistance, each of the group eligibility requirements of Section 222 of the Trade Act of 1974 must be met:

(1) that a significant number or proportion of the workers in such workers' firm, or an appropriate subdivision thereof, have become totally or partially separated, or are threatened to become totally or partially separated;

(2) that sales or production, or both, of such firm or subdivision have decreased absolutely;

(3) that articles like or directly competitive with those produced by the firm or subdivision are being imported in increased quantities, either actual or relative to domestic production; and

(4) that such increased imports have contributed importantly to the separations, or threat thereof, and to the decrease in sales or production.

The term "contributed importantly" means a cause which is important but not necessarily more important than any other cause.

The investigation has revealed that all of the above criteria have been met.

Significant Total or Partial Separations

Workers at Tram/Diamond's New Hampshire plants (Winnisquam and Laconia) were not separately identifiable.

The average number of workers increased 117 percent from 1975 to 1976 and increased 66 percent in the first half of 1977 compared to the same period in 1976. Employment declined 4 percent in the first quarter of 1977 and 10 percent in the second quarter of 1977, compared to the repective previous quarters. A major layoff occurred in June 1977.

Sales or Production, or Both, Have Decreased Absolutely

Total company sales of CB base station units at Tram/Diamond increased 138 percent, in value, from 1975 to 1976.

Production of base station units at the Winnisquam, New Hampshire plant declined 22 percent from January to February 1977, increased 10 percent from February to March 1977, declined 5 percent from March to April 1977, declined 9 percent from April to May 1977 and declined 10 percent from May to June 1977. The number of CB base station units produced was 33 percent lower in the month of June 1977 compared to the month of January 1977.

Increased Imports

Imports of CB base station units increased in absolute terms, in each year from 1972 through 1976. Imports increased 99 percent from 1975 to 1976 and declined 6 percent in the first quarter of 1977 compared to the first quarter of 1976. The ratios of imports to domestic production and consumption increased from 331.7 percent and 76.8 percent, respectively, in 1975 to 615.5 percent and 86.0 percent, respectively, in 1976.

Contributed Importantly

In January 1977, Tram/Diamond began operations in Mexico to produce CB base station units. Additional capacity, above that provided by the Winnisquam plant, was needed. While production began to decline slightly in Winnisquam after January, production increases were occurring in Mexico.

Production of base station units at the Mexico plant increased 208 percent from January to February 1977, increased 70 percent from February to March 1977, increased 33 percent from March to April 1977, increased 32 percent from April to May 1977 and

declined 69 percent from May to June 1977.

In the first half of 1977, 34 percent of the base station units being produced by Tram/Diamond were being produced in Mexico. In the month of May 1977, Mexican production actually surpassed Winnisquam production; the number of base stations produced in Mexico during that month was 12 percent higher than the number produced at Winnisquam.

Customers of Tram/Diamond who were surveyed indicated that their orders for the D-201 base station units were increasingly supplied from Tram/Diamond's Mexican plant.

Conclusion

After careful review of the facts obtained in the investigation, I conclude that increases of imports like or directly competitive with CB base station units produced at Tram/Diamond Corporation contributed importantly to the total or partial separations of the workers at Tram/Diamond Corporation, Winnisquam and Laconia, New Hampshire. In accordance with the provisions of the Act, I make the following certification:

> "All workers engaged in employment related to the production of CB base station units at Tram/Diamond Corporation, Winnisquam and Laconia, New Hampshire plants who became totally or partially separated from employment on or after January 1, 1977 are eligible to apply for adjustment assistance under Title II, Chapter 2 of the Trade Act of 1974."

Signed at Washington, D.C. this 22nd day of September 1977.

CERTIFYING OFFICER
GLORIA G.PRATT

APPENDIX F
INVENTORY ANALYSES OFFERED BY THE PETITIONER AND A LEADING IMPORTER

Inventory Analysis

At the Commission's public hearing, the E. F. Johnson Co. presented its own analysis of inventory accumulation on a monthly basis covering the period 1975 through September 1977. The following is a summary of the method used.

Import statistics for 1975 through September 1977 are taken from Department of Commerce import figures of CB transceivers excluding units under $7.50 (hand-held toys sometimes called walkie-talkies) and units valued over $100.00 which were believed to include non-CB units such as land mobile or car telephone equipment. All CB imports prior to November 1976 were 23-channel transceivers. Imports of 40-channel CB transceivers entered the U.S. in November 1976, however, they were not sold at the retail level until the first of January 1977.

Figures reflecting domestic shipments were derived by adding the total number of domestically produced transceivers by Motorola, E. F. Johnson, Hy-Gain, and Pathcom, as reported to the Commission in the questionnaires, and distributing the total for each year (or half year for 1976 and 1977) evenly among the months of each year.

To develop a proxy for the volume of retail sales, various correction factors were added to the number of license applications issued by the FCC during this period. Unusual increases in the number of FCC license applications reported in March 1975 and January 1976 might have been due to the reduction and, finally, the elimination of fees charged by the FCC. The jump in license applications recorded in January 1977 reflects the seasonal trend of the industry, especially the Christmas sales of CB's.

Since all purchasers of CB transceivers do not obtain licenses, estimates of nonlicensed CB operators were made based on surveys taken by the FCC. An assumption was thereby made that application statistics for 1975 represented 90 percent of purchasers, while application statistics for 1976 and 1977 represented 95 percent of such purchasers.

According to FCC rules, not all CB transceivers must be individually licensed. An operator with multiple transceivers is permitted to operate all of them on a single license. On the basis of information from warranty cards submitted by customers of the E. F. Johnson Co., 65 percent of their customers in 1975 and 62 percent in 1976 purchased their first CB transceiver and were required to obtain FCC licenses. For purposes of the analysis, it was assumed that the E. F. Johnson Co. customer is typical of the general public and, thus, the licensing statistics were adjusted to represent 65 percent of retail sales in 1975 and 62 percent in 1976 and 1977. To be conservative, the warranty card statistics were reduced by 10 percent using 58.5 percent in 1975 and 55.8 percent in 1976 and 1977.

Given the assumption that there was no inventory accumulation in the United States on January 1, 1975, the petitioner's estimate of the number of CB radio transceivers in inventory as of September 1977 is 11.5 million units, of which approximately 35 to 40 percent were believed to be 40-channel transceivers.

IMPORTS, U. S. SHIPMENTS AND INVENTORY ACCUMULATION
(Inventory = Imports + U. S. Shipments - Retail Sales)

	Imports	U. S. Shipments	Total	FCC Lic.	Retail Sales	Inventory
1975						
Jan.			)	72,658	138,001)	
Feb.	388,526	55,083	443,609)	61,572	116,945)	333,250
Mar.	367,105	55,083	422,188)	146,159	277,601)	
Apr.	247,101	55,083	302,184	172,890	328,376	307,058
May	290,684	55,083	345,767	161,933	307,565	345,260
Jun.	405,447	55,083	460,530	170,666	324,151	481,639
Jul.	318,119	55,083	373,202	171,686	326,089	528,752
Aug.	475,044	55,083	530,127	193,366	367,209	691,670
Sep.	677,879	55,083	732,962	204,918	389,207	1,035,425
Oct.	742,199	55,083	797,282	285,970	543,152	1,289,555
Nov.	585,988	55,083	641,071	290,945	552,602	1,378,024
Dec.	909,992	55,083	965,075	415,041	783,301	1,559,798
Total	5,408,084	605,913	6,013,997	2,347,804	4,454,199	1,559,798
1976						
Jan.	931,907	109,166	1,041,073	511,864	965,598	1,635,273
Feb.	937,249	109,166	1,046,415	472,158	890,696	1,790,992
Mar.	1,561,267	109.166	1,670,433	561,262	1,058,785	2,402,640
Apr.	1,347,182	109,166	1,456,348	488,059	920,692	2,938,296
May	1,300,864	109,166	1,410,030	426,954	805,421	3,542,905
Jun.	1,649,494	109,166	1,758,660	467,577	882,054	4,419,511
Jul.	1,873,843	51,833	1,925,676	396,080	747,179	5,598,008
Aug.	1,690,518	51,833	1,742,351	366,402	691,194	6,649,165
Sep.	1,589,962	51,833	1,641,795	329,581	621,733	7,669,227
Oct.	1,547,148	51,833	1,598,981	300,764	567,372	8,700,836
Nov.	1,315,303	51,833	1,367,136	318,285	581,560	9,486,412
Dec.	1,243,876	51,833	1,295,709	435,704	821,927	9,960,194
	16,988,613	965,994	17,954,607	5,074,690	9,554,211	9,960,194
1977						
Jan.	895,257	68,166	963,423	980,253	1,849,184	9,074,433
Feb.	877,954	68,166	946,120	546,486	1,039,111	8,981,442
Mar.	1,103,554	68,166	1,171,720	561,485	1,059,205	9,093,957
Apr.	1,033,467	68,166	1,101,633	426,357	804,295	9,391,295
May	1,092,189	68,166	1,160,355	369,932	697,853	10,181,718
Jun.	956,024	68,166	1,024,190	349,257	658,851	10,547,057
Jul.	760,822	68,166	828,988	293,662	553,974	10,822,071
Aug.	857,922	68,166	926,088	289,348	545,836	11,202,323
Sep.	723,355	68,166	791,521	262,619	495,414	11,498,430
	8,300,544	613,494	8,914,038	4,079,399	7,703,723	11,498,430

Total Imports for 1975, 1976, and 1977: 30,697,241.

Total U.S. Shipments for 1975, 1976, and 1977: 2,185,401.

Total Inventory for 1975, 1976, and 1977: 11,498,430.

An analysis of inventory accumulation was also offered by the president of Dynascan Corporation, who appeared in opposition to the petition. A summary of his method follows.

Import statistics were adjusted from the Department of Commerce figures for imports of 685.2530 and 685.2538 in 1976. Notably no hand-held units were included in these figures, and 60 percent of total import figures for automotive transceivers and other transceivers were estimated to be CB units. Their estimate of total imports of CB units for 1976 amounted to 13.8 million. Added to that figure was an estimated 950,000 units of U.S. produced CB units. By these calculations, the total number of CB units in the U.S. market place in 1976 was 14.790 million.

Through contact with distributors and retailers, the president of Dynascan estimated that 2.2 units were sold for each FCC license application. FCC license applications in 1976 amounted to 5.137 million which was multiplied by 2.2 amounting to 11.30 million CB units sold in 1976. Inventory carry-over from 1975 was taken from the petitioner's own estimate of 1.5 million units and added to 14.79 million units (the combination of Dynascan's own estimate of imports for 1976 and the petitioner's own estimate of domestic production) which amounted to 16.29 million units. Total sales in 1976 of 11.30 million units were then subtracted from 16.29 million (total CB units in the U.S. market in 1976) which amounted to an inventory figure of 5.0 million as of January 1, 1977 (which were believed to be virtually all 23-channel CB's).

Imports of 40-channel and 23-channel CB's (again excluding all hand-held units) entering the country in 1977 for the 9 month period beginning January 1, 1977, was 5.127 million units and 1.641 million units, respectively. Domestic production during this period was estimated to be .658 million units. The addition of total imports and domestic production amounted to 7.426 million units to which the carry-over inventory figure for 1976 (5.0 million units) was added, amounting to 12.426 million

units in the U.S. market in the first 9 months of 1977. FCC licenses in this period (4.075 million units) were multiplied by 2.2 (estimated units sold for each FCC license application) to give 8.965 million CB units sold in the first 9 months of 1977. Total CB sales in this period were subtracted from total CB units in the marketplace, amounting to an inventory estimate of 3.461 million units. It was estimated that about .7 million units were 23-channel CB's. These figures were confirmed by Dynascan's own inventory status.

CB INVENTORY CALCULATIONS

Assume January 1, 1976 Inventory is 1.5 million units (This is the petitioner's number, see Exhibit 24)

IMPORTS IN 1976

11.32 mil.	685.2525	CB TRANSCEIVERS
1.44	685.2530	AUTOMOTIVE TRANSCEIVERS
2.76	685.2535	TRANS-OTHER

Categories 685.2530 and 685.2535 are not all CB units. We estimate only 60% are CB units

1976 TOTAL IMPORTS

	11.320	
	.864	= 1.44 x .6
	1.656	= 2.76 x .6
IMPORTS	13.840*	
DOMESTIC	.950**	
TOTAL	14.790 mill.	

In 1976 our best estimate of FCC applications vs. unit sales is 1:2.2. There are 2.2 units sold for each application for license.

SALES IN 1976 = 5.137 x 2.2 = 11.30 million units

1975 Carry Over	1.50 mill.
1976 Production	14.79
TOTAL	16.29
SALES IN 1976	11.30

Inventory on January 1, 1977 — 5.0 million

(All 23's)

* Note that this number agrees with Petitioner's witness, Nehmer. See Table 3-A.

** This number is the Petitioner's estimate.

IMPORTS 1977 9 MONTHS

40 (685.2502, 685.2510, 685.2511, 685.2517, 685.2516)
23 (685.2512 685.2519)

	40	5.127	million
	23	1.641	million
IMPORTS		6.768	
	DOMESTIC	.658	(EST)
	TOTAL	7.426	million
	CARRY OVER	5.0	
	TOTAL	12.426	million

SALES 1977 = FCC licenses x 2.2
= 4.075 x 2.2 = 8.965 million

TOTAL	12.426
UNITS SOLD	- 8.965

INVENTORY 9/30/77= 3.461 million

APPENDIX G
PROFIT-AND-LOSS STATEMENT OF CYBERNET

Profit-and-Loss Statement of Cybernet

* * * * * *

APPENDIX H
FCC PRESS RELEASES

NEWS

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68285

REVISION

Report No. 12177 ACTION IN DOCKET CASE July 27, 1976 - G

CLASS D FREQUENCY EXPANSION
(Docket 20120)

The Commission today increased the number of channels available to the Class D Citizens Radio Service to 40.

Other changes in the rules governing the Class D Service included:

- Deletion of 27.085 MHz as a calling-only channel.
- A requirement that a copy of Part 95 of the Commissions Rules and FCC Forms 505 and 555-B be included with each new Class D transmitter sold.
- Increasing the harmonic radiation suppression requirement to 60 dB for all new Class D transmitters sold.
- A prohibition on the use of add-on devices designed to increase the frequency range of existing transmitters.
- Requiring the engraving of a serial number on the chassis of each new Class D transmitter sold.

On July 31, 1974, the Commission released a Notice of Proposed Rule Making in Docket 20120. A First Report and Order was released on August 7, 1975, and a Notice of Inquiry and Further Notice of Proposed Rule Making was released on March 29, 1976. These documents, plus the Second Report and Order in Docket 20120, adopted today, are part of the Commission's continuing program of reevaluation and modification of the Citizens Radio Service rules and regulations to more efficiently and effectively regulate these licensees.

(Over)

In its Notice of Inquiry and Further Notice of Proposed Rule Making the Commission proposed to significantly expand the number of channels available to the Class D Service. It said, however, that some pertinent issues, not discussed in the earlier Notice, merited consideration before a final expansion plan was chosen. Comments were invited on the following points:

- The severity of the intermodulation (IM) problem between CB units operating on certain frequency spacings.
- The problem of coupling Class D transmitters and antennas over a wide frequency range while maintaining a suitable impedence match.
- Interference to television reception due to harmonic radiation from Class D transmitters.

Several thousand comments and replies were filed in response to the Further Notice, virtually all of which supported channel expansion. The major exception was the broadcast industry, which opposed expansion on the grounds of increased television interference. Voluminous comments were received from Class C Citizens Service licensees protesting the proposed reallocation of their 27 MHz channels to the Class D Service and the combining of Classes C and D into one class.

In choosing to limit the frequency expansion to 40 channels, the Commission stated that the severity and extent of the intermodulation (IM) problem are such that no expansion is desirable which would involve a separation of more than 440 kHz between the highest and lowest channels. It stated that all parties seriously investigating this matter have come to the same conclusion, namely, that the generation of intermodulation products is a certainty if the width of the Class D band exceeds 440 kHz, and that the nature of the IM products is such that reception of signals on all channels in an affected receiver could be impaired. The new channels begin at 27.235 MHz and proceed through 27.405 MHz, with a uniform spacing of 10 kHz between channels. All channels will be available for shared AM/SSB use.

The Commission said that it was acutely aware of the magnitude of the present television interference problem, and for that reason it was increasing the harmonic radiation suppression requirement for new Class D transmitters to 60 dB. Should additional suppression be shown necessary to prevent harmonic interference to television reception, the Commission stated that individual licensees would be required to insert low-pass filters on their transmitters.

The prohibition against the use of add-on devices to increase the frequency range of present Class D units is necessary, the Commission stated, to prevent the widescale use of transmitters not meeting type acceptance standards. This prohibition does not prohibit the sale, however, of 23 channel units modified before sale to cover the new channels and re-type accepted in this new configuration.

Section 95.58 of the rules was modified to require that a copy of Rule Part 95, plus FCC Forms 505 and 555-B, be included with each new Class D transmitter sold. Additionally, the Commission will begin requiring that a serial number be engraved on the chassis of each new Class D unit. Such a requirement, the Commission said, will help alleviate the present difficulties in identifying stolen CB equipment.

In deleting 27.085 MHz as a calling-only channel, the Commission said that this change received support in the comments, and that because only 40 channels are available for over 5 million Class D licensees, as many channels as possible should be available for general use.

The Commission stated this channel expansion was only an interim measure. Studies into the whole area of personal communication are underway in the Personal Use Radio Advisory Committee (PURAC) and the FCC's Office of Plans and Policy, and both of these groups will be considering alternative spectrum, such as 220 MHz or 900 MHz, for the Citizens Service.

The new channels become available January 1, 1977.

Action by the Commission, July 27, 1976, by Second Report and Order. Commissioner Wiley (Chairman), Lee, Hooks, Quello, Washburn, and Robinson

- - - - - - - - - -

This is an unofficial announcement of the Commission's action. Release of the full text of the Commission's order constitutes official action. See MCI v. FCC, 515 Fed 2d 385 (D. C. Circ. 1975).

PUBLIC NOTICE

Federal Communications Commission ■ 1919 M Street, NW. ■ Washington, D.C. 20554

70841
FCC 77-563

August 1, 1977 - G

COMMISSION CAUTIONS AND REMINDS MANUFACTURERS AND IMPORTERS OF THE AUGUST 1, 1977 CUT-OFF DATE FOR THE MANUFACTURE OF CERTAIN TYPES OF CB EQUIPMENT

Domestic and Offshore manufacturers of CB equipment that was type-accepted prior to September 10, 1976 are reminded that manufacture of such equipment must cease as of August 1, 1977.

Although importation and marketing of the subject equipment may continue beyond August 1, 1977, importers, distributors, and sellers are cautioned that assurance and evidence of pre-August 1, 1977 manufacture should be obtained from off-shore suppliers before the equipment is imported, or marketed, in order, to assure strict compliance with the Commission's Rules.

Marketing of this type of equipment must cease no later than January 1, 1978.

Action by the Commission August 1, 1977. Commissioners Lee, Quello and Fogarty with Commissioners Washburn and White concurring.

-FCC-

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Report No. 1786 SAFETY AND SPECIAL ACTION August 30, 1977 - S

CUTOFF DATE FOR SALE OF HAND-HELD CB RADIOS EXTENDED TO AUGUST 1, 1978

The Commission has extended from January 1 to August 1, 1978, the cutoff date for the sale of hand-held Citizens Band radios manufactured before August 1, 1977, and type accepted before September 10, 1976, that are now in inventory.

The action was in response to petitions for extension filed March 22 by Radio Shack, Fort Worth, Tex.; May 5 by Fanon/Courier Corp., Pasadena, Calif.; and May 16 by Montgomery Ward, Chicago.

(The FCC defines a hand-held CB radio as being a self-contained unit that includes an internal battery supply, transmission and reception capability, a built-in microphone and a permanently-attached antenna.)

Radio Shack contended that because of the Commission's action in late 1976 (Dockets 20120 and 20746) its sales of hand-held CB radios for the last quarter of the year had fallen far below projections and it would be unable to sell its inventory by the January 1 cutoff date without taking a severe financial loss. Therefore, it requested an extension of the cutoff to May 1, the FCC said.

(more)

In a decision released October 18, 1976, the Commission had upheld an earlier action increasing the number of Class D CB channels from 23 to 40. To ensure that these radios would meet its 60 dB harmonic supression standards, it revised its rules to require that the manufacture of all Class D radio models type accepted before September 10, 1976, end by August 1, 1977, and their marketing cease by January 1, 1978.

Commenting on Radio Shack's petition, Royce Electronics, Inc., Kansas City, said an August 1, 1978, cutoff would have minimal impact on the interference reduction sought by the FCC because the portable models were used primarily in remote recreational areas, were few in number, did not have full 23-channel operating capability, and therefore, caused little interference. Royce added that because the hand-held radios were slow movers on the CB market, additional time was needed to sell off the inventory.

Fanon/Courier said an August cutoff date was necessary to avoid a repeat of the market price erosion that had occurred during the transition from 23 to 40 channel CB operation. It added that because many of its customers were mail-order houses that used catalogs for volume sales in the fall and winter, early action on its petition was needed to permit catalog listings.

Montgomery Ward argued that in addition to its current CB radio stock that it would be unable to sell by January 1, it anticipated the return of a significant number of CB radios for servicing, replacement or refund. It said if the Commission did not grant an extension, the sale of repaired and refurbished sets would be impossible.

(more)

The FCC noted that the basic justification for an extension was economic hardship due to marketing problems resulting from its revised CB rules. Therefore, it said, it had established cutoff dates to remove from the market sets built according to old standards. The FCC added that before 1976 CB receivers had not been subject to any technical standards, and as a result interfered seriously with land mobile communications.

Agreeing that some relief was warranted, the Commission said it would extend to August 1, 1978, the cutoff for sale of hand-held CB radios manufactured before August 1, 1977, and type accepted before September 10, 1976. It would not, as Montgomery Ward had suggested, extend the cutoff date for the vast bulk of CB radios type accepted before September 10, 1976, for the reasons already cited.

Action by the Commission July 24, 1977, by Order. Commissioners Wiley (Chairman), Lee, Quello, Washburn, Fogarty and White.

This is an unofficial announcement of the Commission's action. Release of the full text of the Commission's order constitutes official action. See MCI v. FCC, 515 F. 2d 385 (D.C. Circ. 1975).

APPENDIX I
FCC LICENSE APPLICATIONS

PERSONAL RADIO SERVICES - MONTHLY APPLICATION RECEIPTS (fee returns were included 1973 through 1976)
CB, R/C, and GENERAL MOBILE APPLICATIONS

	Calendar Year					
	1973	1974	1975	1976	1977	1978
[illegible]	26,682	36,004	79,375	544,742	990,693 D	
January	23,247	37,837	67,496 B	498,628	557,285	
March	27,444	37,840	193,060	591,427	574,625	
April	28,663	39,083	193,882	514,547	435,577	
May	28,765	47,421	180,178	448,806	377,315	
June	20,880	44,047	187,270	492,791	354,834	
July	22,148	40,109	187,118	417,787	298,482	
August	21,273	40,793	208,928	387,065 C	294,886	
September	14,682	42,729	230,752	347,661	267,071	
October	20,187	46,272	306,123	317,968	232,734	
November	25,393	58,137	310,119	406,782		
December	23,482	56,814	443,498	455,981		
Total for year	282,846	527,086	2,587,799	5,424,192		

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Comments:

A - The sharp increase in receipts each year from December to January is probably due to CB units received as Christmas gifts.

B - The sudden increase in application receipts during March 1975 was caused by the lowered filing fee for a CB license (from $20 to $4, effective March 1, 1975). March receipts almost tripled those of the previous month.

C - The 40-Channel announcement made at the end of July 1976 probably accounted for the gradual decline in receipts from July through October. Perhaps some of those planning to purchase CB's during these months decided to wait until 40-Channel units would be available after January 1, 1977. However, nearly 100,000 more applications were received in November than in October, and this is most likely due to lowered prices of 23-Channel units and the claims made by some companies that various 23-Channel units could be converted into 40-Channel units after January 1.

D - Our record month to date, January 1977, with nearly 1 million application receipts. In this one month we received almost twice as many applications as we did the entire year of 1974. Of course the most probable reasons for the increase are the availability of 40-Channel sets and the suspension of fees, which took effect January 1, 1977.

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