UNITED STATES TARIFF COMMISSION

AUTOMOTIVE SPRINGS, CLUTCH DISCS, AND REAR DECK LID TORSION BARS: WORKERS AND FORMER WORKERS OF THE EATON CORPORATION PLANT DETROIT, MICHIGAN

Report to the President
on Investigation No. TEA-W-172
Under Section 301(c)(2) of the Trade Expansion Act of 1962

TC Publication 549
Washington, D.C.
March 1973

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

REPORT TO THE PRESIDENT

U.S. Tariff Commission,
February 27, 1973.

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(2) of the said act in response to a petition filed by a group of workers.

On December 29, 1972, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) filed a petition for a determination of eligibility to apply for adjustment assistance on behalf of the workers and former workers of the Detroit, Michigan, plant of the Eaton Corporation. The Commission instituted its investigation (TEA-W-172) on January 9, 1973. The investigation was undertaken to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with automotive springs, clutch discs, and rear deck lid torsion bars (of the types provided for in items 652.84, 652.85, 652.88, 652.89, 692.27 and 692.28 of the Tariff Schedules of the United States) produced by Eaton Corporation, at the Detroit, Michigan plant, are being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or under-employment of a significant number or proportion of the workers of such firm or an appropriate subdivision thereof.

Public notice of this investigation was given in the Federal Register of January 15, 1973 (38 F.R. 1546). No public hearing was requested, and none was held.

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

Finding of the Commission

On the basis of its investigation, the Commission finds 1/ (Commissioners Moore and Ablondi dissenting) that articles like or directly competitive with automotive springs, clutch discs, and rear deck lid torsion bars (of the types provided for in items 652.84, 652.85, 652.88, 652.89, 692.27, and 692.28 of the Tariff Schedules of the United States) produced by the Detroit, Michigan, plant of the Eaton Corporation are not, as a result in major part of concessions granted under trade agreement, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number of proportion of the workers of such firm, or an appropriate subdivision thereof.

1/ Commissioner Young did not participate in the determination.

Views of Chairman Bedell, Vice Chairman Parker, and Commissioner Leonard

This statement sets forth the reasons for our negative determination under section 301(c)(2) of the Trade Expansion Act of 1962 (TEA) in the instant worker investigation. 1/ The investigation was made on petition of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) on behalf of certain workers and former workers of the Eaton Corporation plant at Detroit, Michigan, where they are, or were, engaged in the manufacture of coil suspension springs, regulator springs, valve springs, certain clutch discs, and rear deck lid torsion bars. Production of these articles has halted, or will halt, by midyear at Detroit; thereafter production will be shifted to another Eaton plant at St. Catharines in Canada.

We have made a negative determination because, whether or not increased imports of products like or directly competitive with those produced by the petitioners have occurred, the imports which have entered to date cannot be "the major factor" in causing, or threatening to cause, unemployment or underemployment of the petitioning workers.

1/ Section 301(c)(2) provides:

> In the case of a petition by a group of workers for a determination of eligibility to apply for adjustment assistance under chapter 3, the Tariff Commission shall promptly make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such firm or subdivision (19 U.S.C. 1901C2).

Moreover, imports from St. Catharines, which, in the narrowest sense would be most "like" those produced at Detroit but, more significantly, would have the most pronounced effects on employment at Detroit, have not yet been "imported into the United States in . . . increased quantities . . ." Thus, while we are cognizant of the firm's intention to meet its U.S. requirements for these five products from a Canadian rather than from a domestic facility, such future importation is not within the scope of the statute. Anticipated imports cannot be considered since the pertinent provisions of the TEA require a determination that imports have in fact increased. "Threat" as used in section 301(c)(2) of the TEA pertains only to unemployment or underemployment and not to imports. The statute requires imports to have actually occurred. 1/

1/ A review of the House and Senate reports on the Trade Expansion Act confirms that the Act was not designed to provide relief from such importation as might occur in the future. In discussing Tariff Commission investigations, the reports generally use such terms as "is being imported", "increased imports", and "an imported article". The House report, explicitly states:

> Your Committee believes that it is important that adjustment assistance in all instances be given only where it has been concluded that the conditions requiring assistance were caused by increased imports resulting from tariff concessions made under trade agreements. (H.R. Report No. 1818, 87th Cong., 2d Sess. p. 23).

It is appropriate here to explain how this case differs from earlier ones where articles, which were eligible for duty-free treatment under the provisions of the Automotive Products Trade Act of 1965, (APTA), 1/ were transferred from a U.S. to a Canadian plant. In those cases, 2/ imports into the United States from the Canadian plant had already increased. Thus, the statute's requirement for actual imports was met. Here, the Eaton Corporation reports that, at least through the end of 1972, the five products considered were not produced in any other Eaton plant, domestic or foreign, and that the firm had not imported them into the United States from Canada or from any other source during that time.

In the absence of official statistics showing specific data on the importation of each of the five products here considered, the Commission requested that the major U.S. motor vehicle producers report, for each of the articles considered, the quantity imported from Canada and from other countries, and used as original motor vehicle equipment in the assembly of passenger cars and trucks. While these reports showed that imports of coil suspension springs and rear deck torsion bars increased, the annual ratio of imports to apparent domestic consumption of coil suspension springs did not exceed 4 percent and, though the ratio for rear deck torsion bars was higher, they are a relatively

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1/ To implement the Agreement between the United States and Canada concerning automotive products the APTA was enacted. This Act permitted the extention of duty-free treatment to any Canadian article which is original motor vehicle equipment as provided in the Act. The APTA further provided that such duty-free treatment is considered to be a concession granted under a trade agreement for the purposes of Title III of the Trade Expansion Act.

2/ TEA-W-27, Automotive Soft Trim, TC Pub. 333, Aug. 14, 1970; TEA-W-132, Automotive Radio Tuners, TC Pub. 475, April 18, 1972; TEA-W-165, New Passenger Automobiles, TC Pub. 545, Feb. 9, 1973.

minor product at the Detroit plant. Imports of clutch discs and valve springs have also been relatively small, and, based on the data reported, it is debatable that the quantity imported actually increased. Imports of regulator springs appear to have been nil or negligible. Since the products made by Eaton were manufactured to rigid specifications, it is not clear even from the auto manufacturers' data, to what extent, if any, the imported articles were readily substitutable for those parts manufactured at the Detroit plant.

In any event, it is clear that any increased imports could not have been "the major factor" causing or threatening to cause unemployment or underemployment. Information obtained in the investigation shows conclusively that the Detroit plant was an old facility in need of extensive repairs and updating of utilities * * * * * * * * * * * * * Since the building was considerably larger than required, insurance and property taxes unduly added to fixed costs. Wage rates, including fringe benefits, were the highest in the Company. The principal source of competition for Eaton's Detroit plant was other domestic producers, including, for some products, the automakers themselves. Eaton had no choice but to seek a more competitive location. Constrained by freight rates into and out of the plant, and site availability, St. Catharines was selected. It is clear the transfer is prompted by a desire to lower costs and rationalize production--as a result, imports could hardly be considered "the major factor". Therefore, on the basis of the evidence, we have made a negative determination.

Dissenting Views of Commissioners Moore and Ablondi

On December 29, 1972 the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) filed a petition for adjustment assistance under section 301(a)(2) of the Trade Expansion Act of 1962, on behalf of present and former workers of the Eaton Corporation's Suspension Division plant at Detroit, Michigan. Employment has decreased in this plant, and operations are scheduled to terminate in July 1973. At the same time, production of coil suspension springs, regulator springs, valve springs, rear deck lid torsion bars, and "Marshall" discs (i.e., a specialized stamping used as a clutch disc in limited slip differentials) is scheduled to be transferred to Eaton's facility in St. Catharines, Ontario, Canada.

(1) Increased imports

Imports of suspension springs and leaves for springs, including coil suspension springs, entered duty-free under the provisions of the Automotive Products Trade Act of 1975 (APTA), increased in value from $34.9 million in 1968, to $56.1 million in 1972--a 61-percent increase in 5 years. During the same period, imports from Canada of coil suspension springs and rear deck torsion bars by the major U.S. motor vehicle manufacturers increased by more than 300 percent. * * * * * * * * * * * * * It is clear, therefore, that imports of articles like or directly competitive with 81 percent of the articles produced at Eaton's Detroit plant are increasing.

Further imports from Canada of articles here under consideration are imminent. Eaton, which has been a major domestic producer of such articles, will become a major importer of those articles from Canada in 1973.

(2) In major part

Trade-agreement concessions have been substantial with respect to the articles under consideration. For coil suspension springs, * * * * * * * * * * * * * * *, the rate of duty was reduced from 25 percent ad valorem in 1930, to 4 percent ad valorem in 1972. Since 1965, moreover, coil suspension springs from Canada for use as original motor vehicle equipment have been duty-free under provisions of the APTA. Pursuant to section 301 of the APTA, this duty-free treatment is considered a trade-agreement concession for the purposes of tariff adjustment and adjustment assistance under the Trade Expansion Act of 1962.

There is no question that the Canadian Automobile Agreement as implemented by the APTA, has had a major effect on trade and plant locations. 1/

As in the cases cited below, trade-agreement concessions in major part are responsible for increasing imports of articles here under consideration.

1/ See, for example, Automotive Agreement Adjustment Assistance Board, "Summary of Final Determinations and Notice of Certification," April 14, 1967, involving certain workers of Eaton Spring Division, Detroit, Michigan. See also TEA-W-27, Automotive Soft Trim (Views of Commissioners Clubb and Moore), TC Pub. 333, Aug. 14, 1970; TEA-W-132, Automotive Radio Tuners, (Views of Commissioners Bedell, Leonard, Moore, and Young), TC Pub. 475, April 18, 1972; TEA-W-165, New Passenger Automobiles (Statement of Reasons for Affirmative Determination by Chairman Bedell, Vice Chairman Parker, and Commissioners Moore and Ablondi), TC Pub. 545, Feb. 9, 1973.

(3) Unemployment and threat of unemployment

Currently, *** former workers at the Detroit plant of Eaton are unemployed and those remaining are threatened with unemployment. Formerly, *** workers were engaged in the production of the five articles here considered, but by the last quarter of 1972, only * * * * * * * * remained, and their jobs are scheduled for termination by mid 1973. There is present unemployment and threatened unemployment.

(4) The major factor

We believe that increased imports resulting in major part from trade-agreement concessions have been the major factor causing or threatening to cause unemployment at the Detroit plant of Eaton.

Coil suspension springs are the principal products made at the Detroit plant. In 1972, shipments of this article amounted to * * * * * *

In 1968 imports of coil suspension springs from Canada were equal to ** percent of shipments of coil suspension springs from the Detroit plant, but by 1972 imports had increased to ** percent of Eaton's Detroit shipments.

As long as Eaton maintains its Detroit, Michigan plant for the production of articles here under consideration, it faces constant competition in the U.S. market from increased concession-generated imports of such competitive articles from Canada. Eaton, therefore, decided to abandon its U.S. production of such articles and to concentrate all such production in Canada at St. Catharines. In doing so, it will take advantage of the same trade-agreement concessions now enjoyed by its competitors.

This situation is the major factor causing the unemployment and threatened unemployment of Eaton's workers at the Detroit plant.

Conclusion

In view of the foregoing, we conclude that the petitioning unemployed workers, and those threatened with unemployment, have met the statutory requirements for eligibility to apply for adjustment assistance, and therefore we have made an affirmative determination.

We observe that our colleagues attach some importance to the fact that the imports which may have the most adverse effect on employment at the Detroit plant have not yet occurred, because production has not yet been transferred to St. Catharines, Ontario, Canada. It appears that if the Detroit plant of Eaton closes as scheduled and like or directly competitive imports begin to enter in quantity from St. Catharines, Ontario, Canada, unemployed workers who are thereby affected may submit a new petition based on the facts at that time.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of the Products

This investigation concerns five products, all components or subcomponents of motor vehicles (here limited to passenger automobiles and trucks), produced by the workers of Eaton Corporation's Suspension Division plant at Detroit, Michigan.

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

Coil suspension springs are an integral part of the suspension systems of many motor vehicles. These springs vary from about 0.5 to 0.8 inches in thickness, 3 to 7 inches in diameter, and 12 to 24 inches in length when coiled. Coil springs are mounted under compression between the frame member and the upper or lower control arms (in front), or between the frame member and the axle housing (in the rear). They serve to mute the jolts from the roadway so that only subdued oscillations are transmitted to the vehicle body, and further serve to maintain tire adhesion with the road.

Suspension systems may also be designed to utilize either automotive flat leaf springs, which are comprised of one or several bow-shaped strips of spring steel, or torsion bars, which convert vertical movements into a twisting motion about a steel bar, one end of which is fixed in the vehicle frame. In general, and in particular for U.S. passenger automobiles, either coil springs or torsion bars are used in front suspensions, and either coil springs or leaf springs in the rear.

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

Valve springs are used to return the intake and exhaust valves in an internal combustion engine to the valve seats. They vary in size according to the design of the engine, but in general are from 0.120 to 0.207 inches in thickness, 1 inch in diameter, contain 7 or 8 coils, and extend to 2 inches in length.

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

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

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

U.S. Tariff Treatment and Related Actions

Current classifications and rates of duty

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

Imports of coil suspension springs are classified under TSUS item 652.84, which provides for springs and leaves for springs, of base metal, and suitable for motor vehicle suspension. The current trade agreement rate of duty, 4 percent ad valorem, went into effect on January 1, 1972, and represents, as do all the rates discussed in this paragraph, the fifth and final stage of the Kennedy Round. Regulator springs and valve springs are classified under TSUS item 652.88, which provides for springs and leaves for springs, of base metal, except those suitable for motor vehicle suspension and hairsprings. The current trade agreement rate of duty is 9.5 percent ad valorem. Rear deck torsion bars and Marshall (clutch) discs are classified under TSUS item 692.27. This is a broad classification which includes parts for motor vehicles not separately provided for. The current trade agreement rate of duty is 4 percent ad valorem.

In addition to the above tariff classes, separate TSUS items cover the duty-free treatment authorized by the Automotive Products Trade Act

of 1965 (APTA). 1/ Accordingly, imported articles, if a Canadian article and original motor vehicle equipment, fitting the descriptions above, are classifiable under TSUS items 652.85, 652.89, and 692.28, respectively, and are free of duty.

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

Tariff history

Table 1 presents, for the period 1930-72, a chronology of U.S. rates of duty applicable to the TSUS items under which the articles considered here are currently imported. In general, trade-agreement concessions have ranged from 100 percent (i.e., complete elimination of duties applicable, in the case of those articles accorded duty-free treatment under the APTA), to 62 percent of the rate provided in the Tariff Act of 1930.

Under the Tariff Act of 1930, coil suspension springs, regulator springs, valve springs, rear deck torsion bars, and clutch discs would, if imported, have been dutiable under paragraph 369(c), which provided for

1/ To implement the Agreement between the United States and Canada concerning automotive products, the APTA (79 Stat. 1016) was enacted and became effective on Jan. 18, 1965. This act authorized the President to proclaim modifications of the TSUS to provide for the duty-free treatment on any Canadian article which is original motor vehicle equipment as provided in the Act. Such modifications were proclaimed (Pres. Proc. 3682, Oct. 21, 1965) and entered into force on Dec. 20, 1965, with respect to imports entered on or after Jan. 18, 1965.

motor vehicle parts (except tires and tubes, and those in chief value of glass), at a rate of 25 percent ad valorem.

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

On August 31, 1963, the Tariff Schedules of the United States became effective. Under the new tariff items, the treatment of motor vehicle suspension springs and unspecified motor vehicle parts continued without rate changes. Other springs (including regulator and valve springs), however, were placed in a separate tariff item that combined into a single rate description numerous other rate descriptions applicable to springs, and they became dutiable at a concession rate of 19 percent ad valorem. 1/ In 1965, the Tariff Schedules Technical Amendments Act (79 Stat. 933,940) and the APTA necessitated redesignating the original TSUS items into their current numbers.

The most recent concessions on any of the items here considered occurred during the Kennedy Round. The rates existing on July 1, 1962, 2/ were reduced the maximum allowable (i.e., 50 percent plus rounding to simplify computations), and the concessions were placed in effect in five annual stages beginning January 1, 1968.

1/ This rate was selected in the belief that the bulk of imports in the new tariff item formerly entered under par. 397, which included articles, not specially provided for, partly or wholly manufactured.

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

Effective August 16, 1971, 1/ and continuing until December 20, 1971, 2/ the President imposed for balance of payments purposes, an additional temporary duty (import surcharge) of 10 percent ad valorem on most dutiable items. The additional duty applied to all articles (except those duty free under the APTA) here under consideration.

Adjustment assistance under the APTA

The Automotive Products Trade Act of 1965 also provided a special authority during a transitional period under the agreement (sec. 302 of the Act). Under the provisions of this section (which expired on June 30, 1968), the U.S. Tariff Commission submitted on March 30, 1967, to the Automotive Agreement Adjustment Assistance Board, 3/ its report of an investigation (APTA-W-7) concerning the possible dislocation of certain workers engaged in the production of automotive flat leaf springs, which had been produced in the Detroit plant of the Eaton Corporation. In the results of its investigation, the Commission made no findings, but instead provided a factual record to assist the Board in making its determinations. On April 14, 1967, the Board certified those workers of the leaf spring department, who became unemployed or underemployed after January 7, 1967, eligible to apply for adjustment assistance. 4/

1/ Pres. Proc. 4074 of Aug. 15, 1971.

2/ Pres. Proc. 4098, effective Dec. 20, 1971.

3/ The Board, established by Executive Order 11254 of Oct. 21, 1965, was delegated the functions conferred upon the President by section 302.

4/ While the provisions of section 302 were in effect, the special procedure and eligibility criteria thereunder were considerably different from the provisions under Title III of the Trade Expansion Act of 1962. Under section 302 of the APTA, for instance, a petitioning group of workers could be found eligible to apply for adjustment assistance if the Board determined that dislocation occurred or threatened to occur, and if the Board determined that the operation of the Agreement had been the primary factor in causing or threatening to cause the dislocation (section 302(d)).

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

Domestic demand

The annual domestic demand for automotive components used as original equipment is based on the annual domestic production of the final products (passenger cars and trucks) incorporating such components, and, hence, is derived ultimately from consumer demand for the final products. 1/ Factors which influence automobile consumption include scrappage rates; population size, particularly the number of young people and those forming new households; population location, inasmuch as the concentration of families in suburban areas favors multiple car ownership; and disposable income. Other important factors influencing car consumption include automobile prices, credit availability and interest rates, time available for recreational purposes, and vehicle styling. Projections indicate that the demand for automobiles during the 1970's will at least equal the annual growth rate of 3 percent experienced during the 1960's, and may be higher. 2/

For the automotive parts here under consideration, changes within the industry can have pronounced effects on production, simply because not all vehicles use the same components. For example, although

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

2/ U.S. Department of Commerce, U.S. Industrial Outlook 1972 with Projections to 1980, p. 309. The "standard forecast" projects an annual growth rate of 3.5 percent. See Don Cordtz, "Autos: A Hazardous Stretch Ahead," in the April 1971 issue of Fortune.

General Motors Corporation largely relied on coil springs in both front and rear suspensions of its 1972 domestic model passenger cars, Chrysler Corporation used torsion bar suspension in the front end and leaf springs in the rear. Ford Motor Company generally used coil springs in both front and rear suspensions on its larger cars, but used leaf springs for the rear suspension on smaller models.

The number of valve springs consumed in automobile assembly is, of course, a factor of the number of cylinders per engine as well as the number of engines produced. In recent years the trend in the automobile industry has been to smaller cars with smaller engines. Thus the proportion of V-8 engines decreased from 86 percent of total engine production in model year 1968, to 79 percent in model year 1971, while the proportion of 4-cylinder engines increased from virtually zero to 8 percent in the same period. 1/ The consumption of regulator springs has been affected by the recent trend in body styles that incorporate fixed glass panels in place of the retractable rear-side windows which had been commonly produced before. Hence, changes in automotive technology and design, consumer preference for certain make, size, and model of car, and the incorporation of newer car safety features--all exert considerable influence on the related comsumption of automotive parts.

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

1/ Automotive Industries, March 15, 1972, p. 31.

Market practices

Automobile components in the OEM (original equipment manufacturer) market are generally sold on a contract price basis. An automobile manufacturer requests, for example, a coil suspension spring for a vehicle to be assembled during a given model year. The request includes specifications on the materials used, and the size, weight, test limitations, and performance characteristics of the finished spring. The car manufacturer's purchasing department then solicits bids from potential suppliers. Automotive parts suppliers may be considered on the basis of their financial responsibility, facilities, engineering or technical competence, managerial ability, and, of course, past performance. 1/ The engineering departments of the car manufacturer and the parts suppliers usually maintain close contact in product development. Suppliers who can meet the specifications then bid on the contract, normally quoting a price f.o.b. supplier's factory. Successful bidders are notified they will receive all or a portion of the contract requirement for a certain car make and model year. The car manufacturer then issues periodic releases to direct the supplier to produce and/or ship, according to time schedules, the articles to specific automobile assembly plants.

Although automobile components are also produced and sold to the replacement or "after" market, all of the automotive components here

1/ Statement of Mr. Paul Prill, executive director of supply staff, Ford Motor Co., in "In Selling to Detroit the Buyer is the Key Guy," Automotive Industries, August 15, 1972, p. 42.

considered (i.e., those produced at Eaton's Detroit Suspension Division plant) are sold for original motor-vehicle equipment. The releases received at Eaton's Detroit plant direct shipment to the new car assembly sites, rather than to the service (replacement) inventories of the car manufacturers. According to Eaton company officials, the Suspension Division plant has traditionally produced for original motor-vehicle equipment and its operations are not suited to making frequent change-overs and short production runs which characterize the production demands for the replacement market.

Apparent U.S. consumption

* * * * the value of the automotive springs, clutch discs for slip disc (limited slip) differentials and rear deck torsion bars, used as original motor-vehicle equipment increased from $80.8 million in 1968 to $99.1 million in 1972.

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The pattern of consumption generally followed that of motor-vehicle production. The low point for recent years, when consumption dropped to $70.3 million, coincided with a poor motor-vehicle year, 1970, when the economic performance of the country as a whole was generally poor, and motor-vehicle production was adversely affected by a long strike against the General Motors Corporation. The sharply improved performance in 1971 and 1972 was spurred by the increased automobile production brought on by the elimination of the 7-percent automobile excise tax (effective August 15, 1971), and the mandatory system of price controls imposed at the same time. During the years 1971 and 1972, the competitive position of U.S.-produced smaller cars was changed, relative to imported models, by the imposition of the surcharge, and by the currency revaluations concluded in the "Smithsonian Agreement" of December 1971. The increased popularity of smaller, less expensive models probably also contributed to the high level of production. In 1972, U.S. production of motor vehicles (including buses) increased to 11.3 million units.

U.S. Producers and Shipments

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

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

The great bulk of U.S. shipments of coil suspension springs consisted of units produced by the automobile manufacturers themselves. Shipments were higher in 1972, and lower in 1970, than they were in other recent years. Regulator springs and value springs were generally supplied by U.S. firms other than the automobile manufacturers. U.S. shipments of both these products were higher in 1969 than in any other recent year.

U.S. shipments of clutch discs, were also higher in 1969. In 1968, most shipments of clutch discs originated with supplier firms; the reverse was true in 1972. U.S. shipments of rear deck torsion bars, originating with supplier firms, were generally lower after 1969, than they were before, partly because of a shift to Canadian procurement during the 1968-72 period.

U.S. Imports

Official statistics do not provide separate data on the imports, respectively, of coil suspension springs, regulator springs, value springs, rear deck torsion bars, or Marshall (clutch) discs. The statistically annotated edition of the TSUS, 1/ for example, includes coil suspension springs with automotive leaf springs and leaves for springs. Unless separately classified as an item covered by the APTA, in which case the articles use as an original motor vehicle equipment is required, imports of motor vehicle suspension springs include replacement springs for both U.S. and foreign make vehicles. As shown in table 3, the value of imports of motor vehicle suspension springs (TSUSA item 652.8400) increased from $1.7 million in 1969 to $13.6 million in 1972. The value of the same type of articles imported duty free under the APTA (TSUSA item 652.8500) increased from $34.9 million in 1968 to $56.1 million in 1972. Tables 4 and 5 provide import data for the statistical classes in which the remainder of the products here considered are reported. As shown, total imports of items in these classes have increased.

To develop more precise data, the Tariff Commission requested that the four major U.S. motor vehicle manufacturers supply data on the quantity of specified automotive products (used in the assembly of passenger cars and trucks) imported from Canada and all other countries.

1/ The Tariff Schedules of the United States Annotated (TSUSA) provides two additional digits (statistical suffixes) which are used to more finely specify certain tariff classifications.

* * * * imports of coil suspension springs and rear deck torsions bars from Canada increased from 1968 to 1972, but have remained small in relation to total U.S. output. Imports of valve springs from Canada have fluctuated from *** to *** million units since 1969. Although they were larger in 1972 than in the previous year, they were lower than they were in 1968 or 1970. * * * *

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* * * Traditionally, U.S. motor vehicle manufacturers have generally relied on U.S. or Canadian plants for components of vehicles assembled in the United States. Large scale penetration of the U.S. market for components by imports from other than Canada would, therefore, be a significant development. With the transfer of its production from its Detroit plant to St. Catharines, Ontario, Eaton Corporation will become a major importer rather than a domestic producer.

Eaton Corporation

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

Eaton manufactures some 4,000 different products categorized as components for trucks and automobiles; materials handling equipment and systems; industrial products and power transmission systems; builders' hardware; and locks and security systems. Net sales of all products were valued at $898 million through the first 9 months of 1972, a pace well ahead of that of the comparable period in 1971, when annual net sales totaled $1,036 million. Net sales have fluctuated around one billion dollars since 1969.

Vehicle and vehicle components have been the principal line of business for Eaton. Major product lines in this group include drive axles, transmissions, and brake assemblies for trucks and off-highway vehicles, net sales of which amounted to $289 million in 1971. Net sales of automobile components, including engine parts, leaf and coil springs, limited slip differentials, and automotive air-conditioning equipment and components amounted to $227 million in 1971.

Eaton's divisions and subsidiaries operate more than 122 plants in 17 States, Canada, and numerous other countries. Employees, as of December 31, 1971, totaled more than 41,000 people.

The Suspension Division, Detroit, Michigan

Facilities.--

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Shipments.--

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Employment and man-hours.--

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Wage rates and labor relations

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Cost/price comparisons

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Corporate options

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STATISTICAL TABLES

Table 1.--U.S. rates of duty applicable to imports of automotive springs, clutch discs, and rear deck torsion bars, 1930-72

(In percent ad valorem)

Effective date and authority for change	Articles and TSUS item numbers applicable to imports					
	Coil suspension springs		Regulator springs and valve springs		Clutch discs and rear deck torsion bars	
	Item 652.84	Item 652.85 1/	Item 652.88	Item 652.89 1/	Item 692.27	Item 692.28 1/
June 18, 1930 (par. 369(c) Tar. Act)	25	25	25	25	25	25
Jan. 1, 1948 (GATT, First Round)	12.5	12.5	12.5	12.5	12.5	12.5
June 30, 1956 (GATT, Fourth Round)	11.5	11.5	11.5	11.5	11.5	11.5
June 30, 1957 (GATT, Fourth Round)	11	11	11	11	11	11
June 30, 1958 (GATT, Fourth Round)	10.5	10.5	10.5	10.5	10.5	10.5
July 1, 1962 (GATT, Fifth Round)	9.5	9.5	9.5	9.5	9.5	9.5
July 1, 1963 (GATT, Fifth Round)	8.5	8.5	8.5	8.5	8.5	8.5
Aug. 31, 1963 (TSUS)	8.5	8.5	2/ 19	2/ 19	8.5	8.5
Jan. 18, 1965 (APTA) 3/	8.5	Free	19	Free	8.5	Free
Jan. 1, 1968 (GATT, Sixth Round)	7.5	Free	17	Free	7.5	Free
Jan. 1, 1969 (GATT, Sixth Round)	6.5	Free	15	Free	6.5	Free
Jan. 1, 1970 (GATT, Sixth Round)	5.5	Free	13	Free	5.5	Free
Jan. 1, 1971 (GATT, Sixth Round)	5	Free	11	Free	5.0	Free
Aug. 16, 1971 (surcharge) 4/	4/ 5+10	Free	4/ 11+10	Free	4/ 5+10	Free
Dec. 20, 1971 (surcharge removed 5/	5	Free	11	Free	5	Free
Jan. 1, 1972 (GATT, Sixth Round	4	Free	9.5	Free	4	Free

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

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

3/ Automotive Products Trade Act of 1965.

4/ By Pres. Proc. 4074, an additional temporary duty (import surcharge) of 10 percent ad valorem was imposed for balance-of-payments purposes.

5/ Pres. Proc. 4098 lifted the surcharge.

Table 3.--Springs and leaves for springs, of base metal and suitable for motor vehicle suspension 1/: U.S. imports for consumption by dutiable entries (652.8400) from Canada and all other countries, and by duty-free entries (652.8500) from Canada, 1968-72

(In thousands of dollars)

Year	Entered under item 652.8400			Entered under item 652.8500 from Canada
	Canada	All other	Total	
1968	1,269	428	1,697	34,947
1969	2,225	1,958	4,183	33,160
1970	2,979	2,817	5,796	36,825
1971	2,439	5,585	8,024	43,535
1972	2,491	11,146	13,637	56,140

1/ Includes coil suspension springs.

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

Table 4.--Springs and leaves for springs, of base metal (except springs for motor vehicle suspension and hairsprings) 1/: U.S. imports for consumption by dutiable entries (652.8800) from Canada and all other countries, and by duty-free entries (652.8900) from Canada, 1968-72

(In thousands of dollars)

Year	Entered under item 652.8800			Entered under item 652.8900 from Canada
	Canada	All other	Total	
1968	343	925	1,268	1,292
1969	296	1,481	1,777	1,575
1970	413	1,741	2,154	1,516
1971	613	2,128	2,741	2,131
1972	449	2,806	3,255	3,697

1/ Includes regulator and valve springs.

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

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

(In thousands of dollars)

Year	Entered under item 692.2770			Entered under item 692.2870 from Canada
	Canada	All other	Total	
1968	31,811	55,680	87,491	231,070
1969	44,649	68,955	113,604	282,373
1970	50,309	104,653	154,962	304,302
1971	64,562	154,520	219,082	432,681
1972	59,489	193,911	253,400	606,322

1/ Includes clutch discs and torsion bars.

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

APPENDIX B

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

LEONARD WOODCOCK, PRESIDENT — EMIL MAZEY, SECRETARY-TREASURER

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PHONE: 313-926-5216

February 13, 1973

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

Attn: [redacted]

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

Dear Mr. Mason:

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

The "Antiquated Facility" Issue

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

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

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

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

An Economic Decision

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

Relocation at the 1930 Duty Rate

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

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

American Motors Corporation
TEA-W-27

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

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

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

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

Chrysler Corporation
Case No. TEA-W-165

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

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

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

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

Sincerely yours,

John A. Fillion

John A. Fillion, Associate
General Counsel

JAF:ph
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encls.